

## BUSINESS

### OVERVIEW

We are one of the leading Fujian-based property developers and we consistently appear in the “Top 100 China Real Estate Enterprises” (中國房地產百強企業)<sup>(1)</sup>. In particular, we were among the top three property developers in Xiamen in terms of GFA contractually sold per annum during the three years ended December 31, 2008 and the six months ended June 30, 2009, according to the Xiamen Real Estate Association (廈門市房地產協會)<sup>(2)</sup>. We focus on high-quality residential, retail and commercial developments. To diversify our portfolio, we also develop commercial properties, including office buildings, shopping malls and hotels, and retain or intend to retain some of them as long-term investments. We also engage in property-related businesses such as property management for both residential and commercial properties. We have a track record of successfully bringing real estate projects in Xiamen and Shanghai to market. For example, according to the Xiamen Real Estate Association, we were among the top three and five property developers in Xiamen in terms of GFA contractually sold and contracted sales, respectively, in each of 2006, 2007 and 2008. In the six months ended June 30, 2009, according to the Xiamen Real Estate Association, we had the highest aggregate GFA contractually sold and contracted sales among all property developers in Xiamen. We believe that this track record, together with the recognition of our “Yuzhou” brand, positions us well to solidify our leading position in Xiamen, and expand into other cities in Fujian Province as well as other regions in China.

We believe that our success is attributable to our commitment to high-quality design and development, and our attention to details. For example, our Yuzhou Overseas City project received the “2004-2005 Outstanding Project Award in Xiamen” (2004-2005年度廈門地產風雲榜優秀樓盤) from Xiamen Real Estate Association and Xiamen Daily (廈門日報社), an Independent Third Party newspaper. Our Oriental Venice project received many awards including The International Awards for Liveable Communities (全球最適宜人類居住城市(社區)國際大獎)<sup>(3)</sup> in 2005. China Construction Bank awarded the “Outstanding Complex Award” (總行級“優質樓盤放心房”) to our Yuzhou Harbour City project in 2005. Our Jinqiao International project received the “2009 Central Shanghai Most Valuable Investment Complex” (2009上海中環最具投資價值樓盤) award from NetEase.com Real Estate (網易房產頻道), an Independent Third Party website. In 2006, we received the “China Real Estate Industry Strategic Expansion Gold Award” (中國房地產企業發展戰略拓展金獎) from the Enterprise Research Institute of the Development Research Center of the State Council (國務院發展研究中心企業研究所)<sup>(4)</sup>, the Institute of Real Estate Studies of Tsinghua University

- (1) The “Top 100 China Real Estate Enterprises” (中國房地產百強企業) is published by the China Real Estate Top 10 Research Team, a research team jointly established by the Enterprise Research Institute of the Development Research Center of the State Council (國務院發展研究中心企業研究所), the Institute of Real Estate Studies of Tsinghua University (清華大學房地產研究所) and the China Index Academy (中國指數研究院), which are Independent Third Parties. The China Real Estate Top 10 Research Team has conducted research on the top 100 real estate enterprises in the PRC since 2004. It is an Independent Third Party. Our Group was named one of the “Top 100 China Real Estate Enterprises” in each of the years from 2006 to 2009.
- (2) Xiamen Real Estate Association is an organization registered with the Xiamen Municipal Bureau of Civil Affairs (廈門市民政局) under the sponsorship of Xiamen Municipal Bureau of Construction and Administration (廈門市建設與管理局). The organization’s members include business enterprises, institutions and relevant government agencies in Xiamen that are engaged in real property development and operation, property construction and maintenance, property management and property title management. It is an Independent Third Party.
- (3) The International Awards For Liveable Communities (“The LIVCOM Awards”) is a competition activity that is focused on the issues relating to the management of urban and community living environment, ecological construction, resources utilization and sustainable development. The LIVCOM Awards is authorized by United Nations Environmental Programme and sponsored by IFPRA, an international non-profit organization with more than 700 members in over 60 countries. More than 20 local and national organizations in PRC are formal members of IFPRA. IFPRA is an Independent Third Party.
- (4) The Enterprise Research Institute of the Development Research Center of the State Council is mainly engaged in conducting studies on the theories and policies regarding the systems, organizations, development, competition and expansion of enterprises, the issues arising from or in connection with the restructuring of enterprises and the improvement of ownership structures and productivity, and the issues and policies with respect to the development, incentives, monitoring, mergers, acquisitions and bankruptcy of enterprises. It also provides services for government agencies and enterprises based on the results of its research on various theories, policies and practices. It is an Independent Third Party.

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(清華大學房地產研究所)<sup>(5)</sup> and China Index Academy (中國指數研究院)<sup>(6)</sup>. Our “Yuzhou” brand was also recognized as a “Famous Brand” (著名商標) by the Fujian provincial government and the Xiamen city government<sup>(7)</sup>.

We commenced our property development business in 1994 and have 18 projects at various stages of development located in Xiamen, Shanghai, Fuzhou and Hefei. As of August 31, 2009, we had completed eight projects with a total site area of approximately 191,958 sq.m. and an aggregate GFA of approximately 924,316 sq.m. As of August 31, 2009, we had ten projects under development with a total site area of approximately 1,734,116 sq.m. and an aggregate GFA of approximately 3,143,127 sq.m. We have obtained land use rights certificates for the land for each of these ten projects.

In 2006, 2007, 2008 and the six months ended June 30, 2009, we delivered a total GFA of approximately 16,127 sq.m., 143,439 sq.m., 193,030 sq.m. and 137,013 sq.m., respectively, generating revenue from property development of approximately RMB86.9 million, RMB1,050.1 million, RMB1,716.5 million and RMB1,285.3 million, respectively. Our revenue generated from property development during the three years ended December 31, 2008 and the six months ended June 30, 2009 was generated primarily from sales of residential properties and, to a lesser extent, from sales of retail properties and car park spaces. Revenue generated from sales of residential properties accounted for approximately 43.4%, 75.0%, 94.1% and 99.9% of our revenue generated from property development in 2006, 2007 and 2008 and the six months ended June 30, 2009, respectively. Revenue generated from sales of residential properties accounted for a smaller portion of revenue generated from property development in 2006 because we did not complete and deliver any new projects or project phases and sold relatively more retail properties and car park spaces in existing projects or project phases in 2006. In 2006, 2007, 2008 and the six months ended June 30, 2009, our profit for the period was approximately RMB11.9 million, RMB377.5 million, RMB369.1 million and RMB974.4 million, respectively.

We intend to continue to focus on property developments in Fujian while pursuing a strategy of prudent growth by expanding into other PRC property markets that may present higher-growth potential, including Shanghai and Hefei. We intend to continue to focus primarily on the development of residential properties while diversifying our property mix by increasing our commercial property development in the future.

(5) The Institute of Real Estate Studies of Tsinghua University conducts research on issues affecting the development process, real estate finance and investment, real estate asset management, urban and real estate economics and property valuation. Faculties associated with the Institute are drawn from the School of Civil Engineering, School of Economic Management and School of Architecture at Tsinghua University. Its research topics include real estate development, valuation, investment and financing, property management, urban land utilization and management. It is an Independent Third Party.

(6) China Index Academy is a research institution organized by multiple experts and academic entities including China Real Estate Index System, Soufun Research Academy, China Villa Index System and China Real Estate Top 10 Research Team to provide all-around services relating to the commercial economy in the PRC. The Academy conducts studies and provides research and advisory services on various topics relating to the real estate market and market participants. It is an Independent Third Party.

(7) We were issued “Famous Brand” certificates by the Fujian provincial government in 2007 and the Xiamen city government in 2003, respectively. The certificate from the Fujian provincial government will expire in 2010. The certificate from the Xiamen City government was renewed in 2009 and will expire in 2012.

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### OUR COMPETITIVE STRENGTHS

#### **One of the leading Fujian-based property developers, with a strong focus in Xiamen**

We are one of the leading Fujian-based property developers consistently appearing in the “Top 100 China Real Estate Enterprises”. In particular, we are among the top three property developers in Xiamen in terms of GFA contractually sold per annum during the three years ended December 31, 2008 and the six months ended June 30, 2009. Xiamen is strategically located in the West Strait Economic Zone, an economic development zone in the southeastern region of China established to promote regional economic integration and cooperation between Fujian Province and Taiwan. The West Strait Economic Zone is developed against the backdrop of improving the cross-strait relationship between Mainland China and Taiwan and the relationship between Fujian and its neighboring provinces, given Fujian’s strategic location connecting the Pearl River Delta Area and the Yangtze River Delta Area. Leveraging our strong focus and leading position in Xiamen’s real estate market, we have been able to and intend to continue to take advantage of Xiamen’s fast-paced economic development and rapidly rising housing demand. In each of 2006, 2007 and 2008, we were among the top three and five, respectively, property developers in Xiamen in terms of GFA contractually sold and contracted sales, respectively. In the six months ended June 30, 2009, we had the highest aggregate GFA contractually sold and contracted sales among all property developers in Xiamen. We have continued to strengthen our competitive position in Xiamen through acquisition of land reserves. We believe we had one of the largest land reserves in Xiamen as of August 31, 2009 with a total GFA of approximately 1.4 million sq.m. in projects under development and potential projects. Most of the land reserves we have acquired are centrally located in commercial areas or offer attractive views. We acquired a majority of our land reserves in the past at prices that were substantially lower than their current market value, according to the Property Valuation in Appendix V to this document. We believe our market foresight and in-depth understanding of the property market arising out of the collective experience of our management team, as well as our extensive market research, have enabled us to seek and capitalize on land acquisition opportunities at relatively early stages of their long-term appreciation potential.

We have also pursued strategic growth and geographic diversity through expansion into other PRC property markets such as Fuzhou, Shanghai and Hefei. We believe these other PRC property markets have growth potential and provide us with opportunities to develop projects that are likely to attract strong interest among buyers and tenants, thus increasing our revenue and profitability. We believe our current land reserve provides us with project development opportunities for the next few years.

#### **High-quality projects and innovative products**

We believe the distinctive designs and quality of our projects have successfully distinguished us in the highly competitive property markets in which we operate. Our design team focuses on providing innovative designs and added value for our customers. For example, in our Yuzhou Golden Seacoast and Shuilian Manor projects, our innovative layout design increases the usage area by a factor of approximately 30-40%. Our design for certain units in our Yuzhou Jinqiao International project increases the usage area by a factor of at least 90%. Please see individual project descriptions in “— Completed Projects” and “— Projects under Development” for more details. We believe that, by providing more usage area to our customers, we can translate our strengths in design

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into higher pricing power. We believe our Yuzhou Overseas City project was one of the first computerized residential complexes in Xiamen which utilize a computerized security system with a variety of advanced features such as monitoring sensors and control rooms. We have retained leading domestic and international design firms to advise our design team on critical aspects of property development such as master planning and architectural, landscape and interior design. Utilizing our knowledge of and insights into market trends, we have offered high-quality projects and innovative products which have received awards from and been recognized by different organizations, and have also been well-received by our customers.

We have received various awards in recognition of our property design. For example, our Yuzhou Overseas City project received the “2004-2005 Outstanding Project Award in Xiamen” (2004-2005年度廈門地產風雲榜優秀樓盤) from Xiamen Real Estate Association (廈門市房地產業協會) and Xiamen Daily (廈門日報社). Our Oriental Venice project received numerous awards including the “China’s Most Scenic Villa” (全國最佳景觀別墅) from China Architectural Culture Center (中國建築文化中心) and The International Awards for Liveable Communities (全球最適宜人類居住城市(社區)國際大獎) in 2005 and the “2006 China’s Most Valuable Investment Villa Award” (2006中國最具投資價值極品別墅獎) from Renmin Daily (人民日報社). The Yuzhou Golden Seacoast project was recognized as the “2007 Minnan Ten Best Units — Best Innovative Comfort Unit” (2007閩南十佳人居戶型—最具創意舒適戶型) by the Haixia newspaper (海峽導報). China Construction Bank awarded the “Outstanding Complex Award” (總行級“優質樓盤放心房”) to our Yuzhou Harbour City project in 2005. We seek to position our brand name “Yuzhou” as being closely associated with high-quality developments and distinctive designs, and we believe that we have successfully cultivated a premium brand image.

### **Diversified property portfolio**

We believe our diversified portfolio of residential, retail, office and hotel developments is important to our long-term growth and sustainability. We believe that diversifying our product portfolio in this manner will increase the breadth and stability of our revenue streams by reducing our overall exposure to volatility within any one property sector and to the relatively more volatile nature of residential property sales revenue. In addition, we aim to capitalize on different market growth trends and the continuing development of different property sectors.

To date, we have completed many retail and office spaces in connection with our residential property developments that we have retained for investment purposes. The Mall at the Yuzhou World Trade Center is the first large-scale shopping mall in Xiamen and the tenants in such project include many retail stores, restaurants and supermarkets, such as PCD Stores, Wal-Mart, Music Kitchen Food Court, KFC and McDonald’s. We are in the process of developing Yuzhou International Hotel, a mixed-use project that includes a high-end hotel and a shopping center that we aim to complete by September 2012. We have a dedicated and experienced commercial property management team managing our retail and commercial properties. The diverse tenants of our commercial properties include internationally renowned multi-national corporations, leading domestic firms and small to medium enterprises.

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### **Well-recognized brand, effective marketing and comprehensive after-sales services**

Our success in the past has helped us to develop our brand name “禹洲” (“Yuzhou”) to generally represent high-quality, well-designed residential developments. Our “Yuzhou” brand was recognized as a “Famous Brand” by the Fujian provincial government and the Xiamen city government. We believe owners who purchase our properties generally do so in part due to the premium quality and design that our “Yuzhou” brand represents.

We believe that marketing has been one of the key factors that has helped us establish our strong brand name. For each of the three years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, we expended RMB5.1 million, RMB27.3 million, RMB15.8 million and RMB11.8 million on advertising, respectively. We have adopted a variety of measures to reach potential customers, including advertising through advertisements, real estate exhibitions, information sessions, multiple sales offices, property web sites. Through our Yuzhou Club program, we keep in close contact with our customers and motivate them to introduce our brand to other potential customers. Please see “— Project Development — Sales and Marketing” for more details. We encourage our customers to help promote our brand by waiving one year of property management fees for our existing customers who refer new customers to us. Based on the number of customers for whom we waived one year of property management fees, approximately 28% of our new purchasers during the three years ended December 31, 2008 and the six months ended June 30, 2009 were referrals from our existing customers, which we believe was partially attributable to our marketing efforts. The waivers of one year of property management fees of these existing customers had no significant financial impact on our Group during the three years ended December 31, 2008 and the six months ended June 30, 2009. In addition, we have established an experienced and specialized property management team to provide after-sales services to our purchasers.

By selling distinctive products and offering after-sales services, we believe we create more opportunities to strengthen our relationship with our customers and increase the likelihood of repeat sales and referrals.

### **Effective quality control and cost management**

We believe we are able to achieve effective quality control and cost management through our standardized project development and centralized procurement processes. We generally select our third-party contractors and suppliers of equipment and materials through a tender process, taking into consideration their track record performance, work quality, proposed delivery schedules and costs. Through such a selection process, we seek to maintain our construction costs at a reasonable level without compromising quality. We typically designate for purchase certain fixture materials such as doors, windows, sanitary fittings and kitchen cabinets, which are required to satisfy national standards or be from certain name brand manufacturers. We monitor quality, cost control and construction progress closely during construction. We typically pay our construction contractors based on construction progress, which we believe provides incentives for the contractors to focus on product quality. As of the Latest Practicable Date, we had not received any customer complaints with regard to material structural defects in our products. We received the High-quality Product Certificate (廈門市優良工程證書) from City of Xiamen City Construction Industry Association (廈門市建築行業協會) for Yuzhou New City, Yuzhou Overseas City and Yuzhou Harbour City in 2005, 2007 and 2008, respectively.

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### **Experienced and stable management team**

We consider the strength of our management team to be fundamental to our success in the highly competitive real estate market. Members of our management team, including our founder and chairman, Mr. Lam Lung On, have on average more than nine years of experience in the PRC real estate industry and also have considerable strategic planning and business management expertise. Most of our executive directors and senior management personnel have been working with us for more than eight years and form a stable core team that operates well together. In recent years, while maintaining the stability of our core management team, we have recruited senior and mid-level executives with expertise in various areas through a selective recruitment process. We believe the stability of our management team and the extensive experience of its members in property development, industry knowledge and in-depth understanding of the real estate market should enable us to continue to take advantage of future market opportunities and expand into new markets.

### **OUR STRATEGIES**

#### **Strengthen our position as one of the leading Fujian-based property developers and leverage our expertise to expand into the southeastern region of China**

We intend to continue to strengthen our position as one of the leading Fujian-based property developers and increase our market share in Fujian’s property market. We also intend to continue pursuing our strategic growth and geographic diversity by leveraging our reputation and expertise in Xiamen to expand into the southeastern region of China, particularly the West Strait Economic Zone. We believe that, with the recent improvements in cross-Taiwan Strait relations and with the support of the PRC government, the West Strait Economic Zone has economic growth potential and we intend to focus on property development in this region to capitalize on the economic growth potential. To this end, we intend to increase our presence in Fuzhou and other parts of Fujian Province by seeking more property development opportunities. In addition, we intend to further expand into Shanghai, Hefei and other selected cities in the southeastern region of China that we believe have market growth potential. We believe a geographically diversified property portfolio is important for sustaining our growth and income stability because it reduces the risk of over-reliance on any particular property market and allows us to capitalize on different market growth trends in different property markets.

#### **Continue to capitalize on and enhance our “Yuzhou” brand name and customer loyalty by developing high-quality and innovative projects**

We intend to continue to promote the “Yuzhou” brand by continuing to focus on quality and innovation in our property projects and providing strong after-sales support and property management services. To create high-quality and innovative projects, we will continue our strategy of conducting in-depth market research and analysis with the aim of identifying property trends and potential development opportunities as early as possible in a given locality’s potential development cycle. We will also continue to implement our current business practices, which involve utilizing our economies of scale in order to strengthen our negotiating position for construction contracts as well as collaborating with well-known architects and designers to create market-leading projects.

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We believe that delivering value to our customers and increasing their overall satisfaction with our products will enable us to further strengthen our “Yuzhou” brand and reinforce its association with prestige and quality. At the same time, we intend to continue to build market recognition of the “Yuzhou” brand through marketing initiatives such as advertising campaigns and organizing events for our customer base.

### **Continue to pursue property diversification and increase our proportion of investment properties**

We intend to continue to expand into the retail, hotel and office property sectors in the PRC to achieve greater balance in our future revenues. We also aim to continue to increase our proportion of properties held for investment to achieve greater revenue stability through recurring rental income. We believe that such diversification measures will increase the breadth and stability of our revenue streams by reducing our risk of over-reliance on any particular property sector.

In relation to our retail and office properties, we intend to focus on high-quality properties that are located in central commercial areas of major cities. Due to the continuing economic growth in China, rental prices for retail and commercial properties have increased significantly in recent years and we believe this trend will continue. We have already entered into long-term tenancy agreements with reputable anchor tenants for those retail and commercial properties that we hold for investment purposes to secure stable and recurring rental income streams. We intend to enter into similar tenancy agreements for other retail and commercial properties that we plan to develop. In relation to hotels, we plan to focus on developing luxury hotels to be operated by renowned international hotel management groups.

We aim to derive approximately 90% of our future net income from sale of properties and approximately 10% of our future net income from operation of our investment properties in a few years.

### **Continue to expand our land bank in a disciplined manner**

We intend to continue to efficiently acquire land supply in our target cities. We intend to make acquisition decisions based on thorough research and analysis of a given project’s expected returns in light of anticipated future property and economic trends in our target cities. We also intend to continue leveraging our strong brand name and financial track record to obtain attractive financing and refinancing opportunities. We believe that beginning with efficient land acquisitions and following through with well-executed developments will allow us to expand further into our target cities and provide sustainable growth to our business.

### **Adopt international industry best practices and maintain an efficient organizational structure**

We aim to maintain a transparent and employee-friendly corporate culture which encourages responsibility, innovation and cooperation. We intend to continue to adopt international industry best practices and standards of corporate governance. We plan to draw on our senior management expertise

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and experience and actively interact with international business partners and professional advisors. We intend to maintain an organizational structure that is in line with our business development plans with a view to maintaining and increasing the efficiency of our operations. We provide, and plan to continue to provide, incentives to our management and employees taking into consideration performance as well as different levels of training specifically tailored to the different functions and levels of expertise of our employees.

### DESCRIPTION OF OUR PROPERTY DEVELOPMENTS

#### Overview of Our Projects

Our current portfolio of property development projects consists of 18 projects at various stages of development in Xiamen, Shanghai, Fuzhou and Hefei. We divide our property developments into two categories: completed projects and projects under development.

A project is considered completed when we have received the Completed Construction Works Certified Report (竣工驗收備案表或竣工驗收備案證明書) from the relevant government construction authorities. A project is considered to be under development if we have commenced the construction work with respect to part or all of the project and before completion of the entire project. For further details, please see the Property Valuation in Appendix V to this document.

As some of our projects comprise multiple-phase developments on a rolling basis, one project may include different phases at various stages of completion or under development. For the purpose of this section of this document, a project comprising multiple-phases is considered to be a project under development if we have commenced the construction work with respect to at least one phase of the development.

As of August 31, 2009, we had 18 projects with a total site area of approximately 1,926,075 sq.m. and a total GFA of approximately 4,067,443 sq.m. The site area information for an entire project is based on the relevant land use rights certificates. The total GFA of a project comprises saleable GFA and non-saleable GFA and refers to (i) total GFA completed for completed property developments and (ii) total GFA under development for properties under development. Saleable GFA refers to (i) the internal floor areas, exclusive of non-saleable GFA (which refers to certain communal facilities, including, among others, schools), allocated to the residential units and other properties that we develop for sale and (ii) GFA that is held for investment only (including office buildings for rent, retail shop units, hotels, schools and kindergartens and certain car park spaces). With respect to GFA that is held for investment only, we hold these properties as investments to earn rental income and/or for capital appreciation. However, we have the discretion to sell such properties if we believe sales will generate more economic value than retention.

A property is considered sold after we have executed the purchase contract with a customer and have delivered the property to the customer. Properties are pre-sold when we have executed the purchase contract but have not yet delivered the properties to the customer. The property is delivered to the customer upon the property being completed, inspected and accepted as qualified. Please see



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“Regulatory Overview” in Appendix IV to this document for more details. Information regarding land costs and development costs in this document is based solely on our internal records or estimates.

We include in this document the project names which we have used, or intend to use, to market our properties. Some of the names for our property developments are pending approvals by the relevant government authorities and may be subject to change.

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The following table sets forth the GFA in sq.m. and other information of our 18 projects as of August 31, 2009:

Project <sup>(1)</sup>	Site Area (sq.m.)	Location	Total GFA Completed <sup>(2)</sup> (sq.m.)	Total GFA Under Development <sup>(2)</sup> (sq.m.)	Total GFA <sup>(3)</sup>	Our Interest in the Project	Total Saleable GFA		Total Saleable GFA Sold or Pre-sold <sup>(6)</sup> (sq.m.)	Sales Contribution During the three years ended December 31, 2008 and the six months ended June 30, 2009 (RMB'000)	Completion or Estimated Completion Date of the Project <sup>(7)</sup>	Reference to Property Valuation in Appendix V
							Held for Sale Only (sq.m.)	Held for Investment Only <sup>(5)</sup> (sq.m.)				
<b>Completed Projects</b>												
Yuzhou Overseas City	27,703	Xiamen	239,627	0	236,745	100%	3,926	1,101	231,719	840,198	2006	2, 16, 17
Yuzhou Shuilian Manor	12,909	Xiamen	29,126	0	27,325	100%	919	0	26,406	187,381	2006	15
Yuzhou Hai Tian Plaza	6,316	Xiamen	65,104	0	64,575	100%	4,223	0	60,352	474,873	2007	13
Yuzhou Harbour City	20,089	Xiamen	191,649	0	186,013	60%	6,495	0	179,518	954,197	2007	11, 14
Yuzhou New City	25,610	Xiamen	93,473	0	90,771	100%	5,816	0	84,955	24,581	2005	7, 10
Yuzhou Garden	27,345	Xiamen	92,888	0	92,888	100%	2,717	0	89,402	13,968	2000	8, 9, 12
Yuzhou New Manor	45,619	Xiamen	118,892	0	118,892	100%	21	0	118,620	1,124	2003	18
Galaxy Garden	26,367	Xiamen	93,556	0	84,164	100%	10,737	0	73,427	372,000	2008	23
<b>Projects Under Development</b>												
Yuzhou Golden Seacoast	70,793	Xiamen	122,285	120,715	233,350	100%	87,036	41,314	105,000	346,728	2010/09	6, 21, 30
Yuzhou World Trade Center	19,454	Xiamen	136,312	68,164	183,372	100%	39,823	49,838	93,711	616,039	2009/12	1, 5, 22, 31
Yuzhou Jinqiao International	49,738	Shanghai	91,763	142,750	231,504	100%	119,130	15,765	96,609	307,720	2012/10	3, 4, 19, 20, 34, 37
Oriental Venice	706,397	Fuzhou	0	365,512	365,512	80%	277,719	15,733	61,403	0	2013/05	25, 26, 36
Yuzhou Gu Shan No. One	234,160	Fuzhou	0	87,576	87,576	60%	83,224	0	0	0	2010/12	27
Yuzhou International Hotel	60,018	Xiamen	0	125,221	125,221	100%	102,142	0	0	0	2012/09	32
Yuzhou Gangyi Square	3,333	Xiamen	0	60,251	60,251	100%	57,861	0	57,861	0	2012/11	29
Yuzhou Yuanbo City	90,750	Xiamen	0	480,252	480,252	100%	287,157	10,059	161,393	0	2012/09	33
Yuzhou Diyuuan Manor	52,715	Xiamen	0	193,767	193,767	98%	176,525	15,336	0	0	2011/09	28
Yuzhou Huaqiao City	446,757	Hefei	0	1,148,560	1,148,560	100%	1,045,560	98,700	0	0	2014/12	35
<b>Total</b>	<b>1,926,075</b>		<b>1,274,676</b>	<b>2,792,768</b>	<b>3,926,056</b>		<b>2,135,691</b>	<b>407,850</b>	<b>1,382,516</b>			

Notes:

- (1) As of the Latest Practicable Date, we had obtained all the required land use rights certificates for our properties under development and completed properties. Please see “— Description of Our Property Developments” for details.
- (2) “Total GFA Completed” and “Total GFA Under Development” for completed property developments and properties under development, respectively, are derived from our internal records.
- (3) “Total Saleable GFA” is derived from our internal records and estimates.
- (4) “Total Saleable GFA Unsold” for completed property development and properties under development represent the aggregate saleable GFA for the entire project less the total saleable GFA sold or pre-sold as derived from information in the relevant purchase contracts with our customers.
- (5) “Total Saleable GFA Unsold — Held for Investment Only” reflects total rentable GFA for all of our projects except for Yuzhou International Hotel which is not for sale and is held for investment purposes only. Yuzhou International Hotel will be operated as a hotel under the “Radisson” brand by Carlson Asia Pacific Hotel Management Pty. Limited.
- (6) “Total Saleable GFA Sold or Pre-sold” reflects, for completed projects, total saleable GFA sold, and, for projects under development, total saleable GFA pre-sold.
- (7) Please see “— Description of Our Property Developments” for details of the pre-sale commencement dates of each phase of our projects.

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The table below sets forth the saleable GFA information of our 18 projects in terms of the use or planned use of the properties as of August 31, 2009.

	<b>Completed Properties<sup>(1)</sup> GFA (sq.m.)</b>	<b>Properties Under Development<sup>(2)</sup> GFA (sq.m.)</b>
<b>Properties for sale</b>		
Residential .....	777,441	2,170,742
Retail .....	57,047	15,764
Car park spaces .....	63,560	256,592
Office .....	1,204	175,857
Subtotal .....	<u>899,252</u>	<u>2,618,954</u>
<b>Properties for investment</b>		
Retail .....	0	261,043
Hotel .....	0	60,018
Office .....	0	59,915
Car park spaces .....	0	8,863
Other <sup>(3)</sup> .....	1,101	16,910
Subtotal .....	<u>1,101</u>	<u>406,749</u>
<b>Total</b> .....	<u>900,353</u>	<u>3,025,703</u>
<b>Attributable GFA (sq.m.)<sup>(4)</sup></b> .....	<u>825,948</u>	<u>2,917,912</u>

Notes:

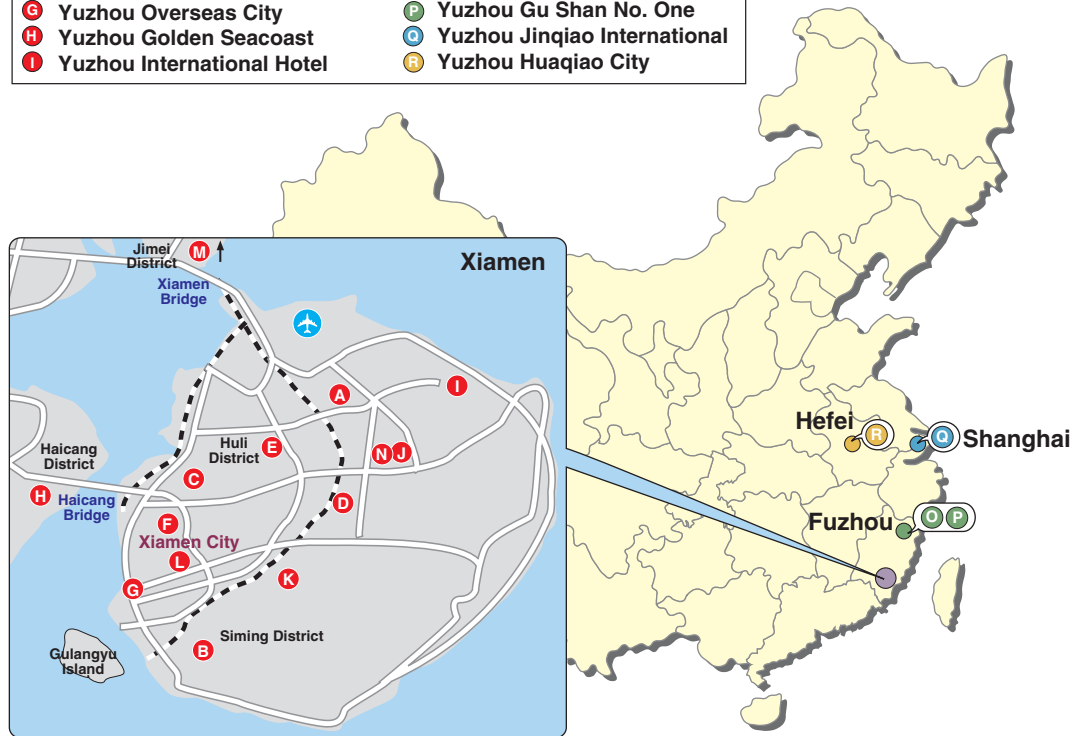
- (1) For our completed properties, total saleable GFA sold as of August 31, 2009 was 864,399 sq.m.
- (2) For our properties under development, total saleable GFA pre-sold as of August 31, 2009 was 518,117 sq.m.
- (3) Includes school and kindergartens.
- (4) The attributable GFA represents the portion of the total GFA which is attributable to us, based on our interest in the relevant project. Our interests in the relevant projects are set out in the Property Valuation in Appendix V. For the properties that are completed or under development, these figures include the GFA of units which have been pre-sold or sold.

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**BUSINESS**

The following map illustrates the geographic locations of our 18 property development projects:

- |                                     |                                       |
|-------------------------------------|---------------------------------------|
| <b>A</b> Yuzhou Shuilian Manor      | <b>J</b> Galaxy Garden                |
| <b>B</b> Yuzhou Hai Tian Plaza      | <b>K</b> Yuzhou World Trade Center    |
| <b>C</b> Yuzhou New City            | <b>L</b> Yuzhou Gangyi Square         |
| <b>D</b> Yuzhou Garden              | <b>M</b> Yuzhou Yuanbo City           |
| <b>E</b> Yuzhou New Manor           | <b>N</b> Yuzhou Diyuan Manor          |
| <b>F</b> Yuzhou Harbour City        | <b>O</b> Oriental Venice              |
| <b>G</b> Yuzhou Overseas City       | <b>P</b> Yuzhou Gu Shan No. One       |
| <b>H</b> Yuzhou Golden Seacoast     | <b>Q</b> Yuzhou Jinqiao International |
| <b>I</b> Yuzhou International Hotel | <b>R</b> Yuzhou Huaqiao City          |



## BUSINESS

The following are detailed descriptions of our 18 projects as of the Latest Practicable Date. The commencement date relating to each project or each phase of a project refers to the date of the work commencement permit. The completion date set out in the descriptions of our completed property developments refers to the date on which the Completed Construction Works Certified Report was obtained for each project (or each phase of a multi-phase project). For projects or project phases under development, the completion date of a project or project phase reflects our best estimate based on our current development plans.

### COMPLETED PROJECTS

#### Yuzhou Overseas City (禹洲華僑海景城)



Yuzhou Overseas City is a residential complex located in the Old Town area of Xiamen, at the edge of West Hexiang Road (禾祥西路). The project is located near commercial centers and educational institutions. In addition, residents enjoy views of Xiamen Gulf Park (海灣公園), Yundang Lake (筭管湖), and Xiamen’s western coast. We offer a wide range of lifestyle amenities to our residents. The commercial section of the project has become an international food court that connects with the Hexiang Road Food Street (禾祥美食街) to provide a commercial area. The project received the “2004-2005 Outstanding Project Award in Xiamen” (2004-2005年度廈門地產風雲榜優秀樓盤) from Xiamen Real Estate Association (廈門市房地產業協會) and Xiamen Daily (廈門日報社), and the “2005 Minnan Ten Best Units — Best Innovative Comfort Unit” (2005閩南十佳人居戶型—最具創意舒適戶型) from the Haixia newspaper (海峽導報).

We acquired the land for the project through the acquisition of a then Independent Third Party company. The consideration for the acquisition of the company was RMB20 million. The project occupies a total site area of approximately 27,703 sq.m. with an aggregate GFA of 239,627 sq.m. It comprises 1,333 residential units with a total saleable GFA of approximately 194,149 sq.m., 174 retail units with a total saleable GFA of approximately 22,330 sq.m., 10 office units with a GFA of 1,204 sq.m. and 327 car park spaces with a GFA of 17,961 sq.m. As of August 31, 2009, over 99% of

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<b>BUSINESS</b>
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the GFA of the residential units had been sold. Currently, we retain a total saleable GFA of approximately 1,101 sq.m. for investment purposes. The project is divided into two phases and was developed by Xiamen Huaqiaocheng Co., one of our wholly-owned subsidiaries. We hold 100% interest in the project.

The following tables set forth certain information of the project as of August 31, 2009 except as otherwise indicated:

*Phase I*

Construction period . . . . .	September 2002 to December 2004
Pre-sale commencement date . . . . .	January 2005
Development costs <sup>(1)</sup> incurred as of December 31, 2008 (RMB in millions) . . .	512
Total completed GFA (sq.m.) . . . . .	136,032

	<u>Residential</u>	<u>Retail</u>	<u>Car Park Spaces</u>
Total completed saleable GFA (sq.m.) . . . . .	115,202	11,361	8,351
Total saleable GFA sold (sq.m.) . . . . .	115,202	11,361	7,486
Percentage of saleable GFA sold (%) . . . . .	100	100	90
Total number of units . . . . .	782	76	182
Average selling price per sq.m. (RMB) . . . . .	5,883	9,975	4,809

*Phase II*

Construction period . . . . .	September 2004 to October 2006
Pre-sale commencement date . . . . .	November 2005
Development costs <sup>(1)</sup> incurred as of December 31, 2008 (RMB in millions) . . . . .	548
Total completed GFA (sq.m.) . . . . .	103,594

	<u>Residential</u>	<u>Retail</u>	<u>Office Space</u>	<u>Car Park Spaces</u>
Total completed saleable GFA (sq.m.) . . . . .	78,948	10,969	1,204	9,610
Total saleable GFA sold (sq.m.) . . . . .	78,074	10,969	0	8,626
Percentage of saleable GFA sold (%) . . . . .	99	100	0	90
Total number of units . . . . .	551	98	10	145
Average selling price per sq.m (RMB) . . . . .	8,353	12,417	—	3,980

Note:

(1) For the purposes of this section, development costs of a project or project phase only include construction costs and exclude land costs and capitalized interest expenses.

**BUSINESS**

**Yuzhou Shuilian Manor (水蓮山莊)**



Yuzhou Shuilian Manor is a residential complex located on Jinshang Road (金尚路) in Xiamen, near Wuyuan Bay (五緣灣) and several Fortune 500 companies. Certain units in Yuzhou Shuilian Manor feature innovative layout design elements which increase the usage area by a factor of approximately 30-40%. For example, due to our innovative design, certain rooms in these units qualify as semi-open patios for which only half of the actual usage area is considered as saleable GFA under relevant PRC regulations. In addition, the project features a garden, swimming pool, badminton courts, greenway and other amenities. The project received the “2005 Minnan Ten Best Units — Best Value Unit Design” (2005閩南十佳人居戶型—最具價值戶型) from the Haixia newspaper (海峽導報).

We acquired the land for the project by signing land use rights grant agreements with the PRC Government. The consideration for the land was RMB26.5 million. The project occupies a total site area of approximately 12,909 sq.m. with an aggregate GFA of 29,126 sq.m. As of August 31, 2009, all of the residential units had been sold. The project was developed by Yaozhou Co., our wholly-owned subsidiary. We hold a 100% interest in the project.

The following tables set forth certain information of the project as of August 31, 2009 except as otherwise indicated:

Construction period . . . . .	December 2004 to December 2006
Pre-sale commencement date . . . . .	August 2005
Development costs incurred as of December 31, 2008 (RMB in millions) . . . . .	114
Total completed GFA (sq.m.) . . . . .	29,126

	<u>Residential</u>	<u>Retail</u>	<u>Car Park Spaces</u>
Total completed saleable GFA (sq.m.) . . . . .	23,470	955	2,900
Total saleable GFA sold (sq.m.) . . . . .	23,470	955	1,981
Percentage of saleable GFA sold (%) . . . . .	100	100	68
Total number of units . . . . .	248	13	62
Average selling price per sq.m. (RMB) . . . . .	7,666	13,425	2,495

**BUSINESS**

**Yuzhou Hai Tian Plaza (禹洲海天廣場)**



Yuzhou Hai Tian Plaza is a residential complex located in Xiamen on South Siming Road (思明南路). The project is close to Huaqiao Museum (華僑博物館), Hongshan Park (鴻山公園), Nanputuo mountain (南普陀五老峰) as well as Xiamen University and other educational institutions. The project provides its residents with views of the ocean and the Nanputuo mountains.

We acquired the land for the project by signing land use rights grant agreements with the PRC Government. The consideration for the land was RMB25.8 million. The project occupies a total site area of approximately 6,316 sq.m. with an aggregate GFA of 65,104 sq.m. It comprises 395 residential units with a total saleable GFA of approximately 57,347 sq.m., 24 retail units with a total saleable GFA of approximately 2,001 sq.m. and 87 car park spaces with a GFA of 5,227 sq.m. As of August 31, 2009, over 98% of the GFA of the residential units had been sold. The project was developed by Hai Tian Co., one of our wholly-owned subsidiaries. We hold a 100% interest in the project.

The following tables set forth certain information of the project as of August 31, 2009 except as otherwise indicated:

Construction period	October 2004 to November 2007
Pre-sale commencement date	October 2005
Development costs incurred as of December 31, 2008 (RMB in millions)	234
Total completed GFA (sq.m.)	65,104

	<u>Residential</u>	<u>Retail</u>	<u>Car Park Spaces</u>
Total completed saleable GFA (sq.m.)	57,347	2,001	5,227
Total saleable GFA sold (sq.m.)	55,966	1,009	3,376
Percentage of saleable GFA sold (%)	98	50	65
Total number of units	395	24	87
Average selling price per sq.m. (RMB)	8,496	38,103	4,701



## BUSINESS

### Yuzhou Harbour City (禹洲海灣新城)



Yuzhou Harbour City is a residential complex located on North Hubin Road (湖濱北路) in Xiamen near Yundang Lake (筲筴湖). The project is adjacent to numerous restaurants, markets, hospitals, schools and business centers and is flanked by the Xianyue mountains (仙岳山) and Yundang Lake. The project received the “Outstanding Complex Award” (總行級“優質樓盤放心房”) awarded by China Construction Bank in 2005.

We acquired the land for the project through a judicial procedure. The consideration for the land was RMB145.8 million. The project occupies a total site area of approximately 20,089 sq.m. with an aggregate GFA of 191,649 sq.m. It comprises 1,260 residential units with a total saleable GFA of approximately 156,469 sq.m., 38 retail units with a total saleable GFA of approximately 7,820 sq.m. and 367 car park spaces with a GFA of 21,724 sq.m. As of August 31, 2009, 1,245 residential units had been sold. The project is divided into two phases and was developed by Fengzhou Investment Co., one of our subsidiaries. We hold a 60% interest in the project.

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<b>BUSINESS</b>
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The following tables set forth certain information of the project as of August 31, 2009 except as otherwise indicated:

*Phase I*

Construction period . . . . .	September 2003 to October 2005
Pre-sale commencement date . . . . .	November 2004
Development costs incurred as of December 31, 2008 (RMB in millions) . . . . .	190
Total completed GFA (sq.m.) . . . . .	74,260

	<u>Residential</u>	<u>Retail</u>	<u>Car Park Spaces</u>
Total completed saleable GFA (sq.m.) . . . . .	55,640	7,214	10,450
Total saleable GFA sold (sq.m.) . . . . .	55,640	7,214	10,400
Percentage of saleable GFA sold (%) . . . . .	100	100	99
Total number of units . . . . .	538	22	196
Average selling price per sq.m. (RMB) . . . . .	5,048	9,925	3,358

*Phase II*

Construction period . . . . .	December 2004 to November 2007
Pre-sale commencement date . . . . .	October 2005
Development costs incurred as of December 31, 2008 (RMB in millions) . . . . .	350
Total completed GFA (sq.m.) . . . . .	117,389

	<u>Residential</u>	<u>Retail</u>	<u>Car Park Spaces</u>
Total completed saleable GFA (sq.m.) . . . . .	100,829	607	11,274
Total saleable GFA sold (sq.m.) . . . . .	98,071	435	7,759
Percentage of saleable GFA sold (%) . . . . .	97	72	69
Total number of units . . . . .	722	16	171
Average selling price per sq.m. (RMB) . . . . .	8,729	17,424	3,889

**BUSINESS**

**Yuzhou New City (禹洲新城)**



Yuzhou New City is a residential complex located in Xiamen to the east of Dongdu Haotou Shugang Road (東渡濠頭疏港路). It is adjacent to Xianyueshan Forest Park (仙岳山森林公園), Haicang Bridge (海滄大橋), and Niutoushan Park (牛頭山公園風景區). The project contains a large-size green area and swimming pool. The project received the “2003 My Ideal Home Award” (2003 我心中的理想家園) from Fujian Daily (福建日報社) and the Fujian Consumer Commission (福建省消費者委員會).

We acquired the land for the project by signing land use rights grant agreements with the PRC Government. The consideration for the land was RMB60.5 million. The project occupies a total site area of approximately 25,610 sq.m. with an aggregate GFA of 93,473 sq.m. It comprises 754 residential units with a total saleable GFA of approximately 76,602 sq.m., 138 retail units with a total saleable GFA of approximately 11,008 sq.m. and 100 car park spaces with a GFA of 3,161 sq.m. As of August 31, 2009, all of the residential units had been sold. The project is divided into two phases and was developed by Yuzhou Development Co., one of our wholly-owned subsidiaries. We hold a 100% interest in the project.

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<b>BUSINESS</b>
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The following tables set forth certain information of the project as of August 31, 2009 except as otherwise indicated:

*Phase I*

Construction period .....	August 2001 to November 2002		
Pre-sale commencement date .....	October 2001		
Development costs incurred as December 31, 2008 (RMB in million) .....	36		
Total completed GFA (sq.m.) .....	26,130		
		<u>Residential</u>	<u>Retail</u>
Total completed saleable GFA (sq.m.) .....	23,061	3,069	
Total saleable GFA sold (sq.m.) .....	23,061	2,854	
Percentage of saleable GFA sold (%) .....	100	93	
Total number of units .....	268	62	
Average selling price per sq.m. (RMB) .....	2,883	7,730	

*Phase II*

Construction period .....	April 2003 to January 2005			
Pre-sale commencement date .....	August 2003			
Development costs incurred as December 31, 2008 (RMB in million) .....	183			
Total completed GFA (sq.m.) .....	67,343			
		<u>Residential</u>	<u>Retail</u>	<u>Car Park Space</u>
Total completed saleable GFA (sq.m.) .....	53,541	7,939	3,161	
Total saleable GFA sold (sq.m.) .....	53,541	4,154	1,345	
Percentage of saleable GFA sold (%) .....	100	52	43	
Total number of units .....	486	76	100	
Average selling price per sq.m. (RMB) .....	4,454	10,597	3,970	

## BUSINESS

### Yuzhou Garden (禹洲花園)



Yuzhou Garden is a residential community located in Xiamen at the intersection of Jinshang Road (金尚路) and Lianqian Road (蓮前大道). The project is located next to schools, financial centers, markets, shopping centers and entertainment facilities. The traditional Chinese style project was well-received by the market for its design and quality and won the “Outstanding Sales Complex Award” (優秀營銷樓盤) from the Xiamen Real Estate Association (廈門市房地產業協會) in 1999.

We acquired the land for the project by signing land use rights grant agreements with the PRC Government. The consideration for the land was RMB54.4 million. The project occupies a total site area of approximately 27,345 sq.m. with an aggregate GFA of 92,888 sq.m. It comprises 938 residential units with a total saleable GFA of approximately 78,207 sq.m., 174 retail units with a total saleable GFA of approximately 12,064 sq.m. and 57 car park spaces with a GFA of 1,849 sq.m. As of August 31, 2009, all of the residential units had been sold. The project is divided into three phases and was developed by Yuzhou Development Co. and Yaozhou Co., both of which are our wholly-owned subsidiaries. We hold a 100% interest in the project.

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<b>BUSINESS</b>
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The following tables set forth certain information of the project as of August 31, 2009 except as otherwise indicated:

*Phase I*

Construction period .....	October 1998 to May 1999
Pre-sale commencement date .....	October 1999
Development costs incurred as December 31, 2008 (RMB in million) .....	38
Total completed GFA (sq.m.) .....	27,205

	<u>Residential</u>	<u>Retail</u>	<u>Car Park Space</u>
Total completed saleable GFA (sq.m.) .....	21,355	5,739	111
Total saleable GFA sold (sq.m.) .....	21,355	5,256	21
Percentage of saleable GFA sold (%) .....	100	92	19
Total number of units .....	260	67	5
Average selling price per sq.m. (RMB) .....	2,541	5,550	5,273

*Phase II*

Construction period .....	December 1999 to December 2000
Pre-sale commencement date .....	September 2001
Development costs incurred as December 31, 2008 (RMB in million) .....	74
Total completed GFA (sq.m.) .....	29,546

	<u>Residential</u>	<u>Retail</u>	<u>Car Park Space</u>
Total completed saleable GFA (sq.m.) .....	24,461	3,988	1,097
Total saleable GFA sold (sq.m.) .....	24,461	2,296	666
Percentage of saleable GFA sold (%) .....	100	58	61
Total number of units .....	270	62	28
Average selling price per sq.m. (RMB) .....	2,723	9,070	2,735

*Phase III*

Construction period .....	June 1999 to April 2000
Pre-sale commencement date .....	October 2001
Development costs incurred as December 31, 2008 (RMB in million) .....	53
Total completed GFA (sq.m.) .....	36,138

	<u>Residential</u>	<u>Retail</u>	<u>Car Park Space</u>
Total completed saleable GFA (sq.m.) .....	32,391	2,336	641
Total saleable GFA sold (sq.m.) .....	32,391	2,336	621
Percentage of saleable GFA sold (%) .....	100	100	97
Total number of units .....	408	45	24
Average selling price per sq.m. (RMB) .....	2,602	8,450	4,261

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## BUSINESS

### Yuzhou New Manor (禹洲新村)



Yuzhou New Manor is a residential complex located on Nanshan Road (南山路) in Xiamen’s Huli (湖裏) District. Taking advantage of its vicinity to the Xianyue mountains (仙岳山), the project provides numerous gardens, greens, and relaxation areas that compliment the natural surroundings.

We acquired the land for the project by signing land use rights grant agreements with the PRC Government. The consideration for the land was RMB58.6 million. The project occupies a total site area of approximately 45,619 sq.m., with an aggregate GFA of 118,892 sq.m. It comprises 1,316 residential units with a total saleable GFA of approximately 114,103 sq.m., 18 retail units with a total saleable GFA of approximately 868 sq.m. and 142 car park spaces with a GFA of 3,669 sq.m. As of August 31, 2009, all of the residential units had been sold. The project is divided into two phases and was developed by Yuzhou Development Co., one of our wholly-owned subsidiaries. We hold a 100% interest in the project.

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<b>BUSINESS</b>
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The following tables set forth certain information of the project as of August 31, 2009 except as otherwise indicated:

*Phase I*

Construction period .....	August 1996 to March 1999
Pre-sale commencement date .....	August 1997
Development costs incurred as December 31, 2008 (RMB in million) .....	136
Total completed GFA (sq.m.) .....	77,044

	<u>Residential</u>	<u>Retail</u>	<u>Car Park Space</u>
Total completed saleable GFA (sq.m.) .....	72,863	667	3,513
Total saleable GFA sold (sq.m.) .....	72,863	667	3,493
Percentage of saleable GFA sold (%) .....	100	100	99
Total number of units .....	871	12	137
Average selling price per sq.m. (RMB) .....	2,447	4,715	2,320

*Phase II*

Construction period .....	March 2002 to June 2003
Pre-sale commencement date .....	November 2001
Development costs incurred as December 31, 2008 (RMB in million) .....	212
Total completed GFA (sq.m.) .....	41,848

	<u>Residential</u>	<u>Retail</u>	<u>Car Park Space</u>
Total completed saleable GFA (sq.m.) .....	41,240	201	156
Total saleable GFA sold (sq.m.) .....	41,240	201	156
Percentage of saleable GFA sold (%) .....	100	100	100
Total number of units .....	445	6	5
Average selling price per sq.m. (RMB) .....	3,117	5,933	4,160



**BUSINESS**

**Galaxy Garden (星洲花園)**



Galaxy Garden is a residential complex located in Xiamen at the intersection of Jinshang Road (金尚路) and Jinhu Road (金湖路), close to Wuyuan Bay (五緣灣). We believe our innovative interior design increases each unit’s usable space. The project received the “2007 Ten Best Minnan Ten Best Units — Best Classic Comfort Unit” (2007閩南十佳人居戶型——最經典舒適戶型) from the Haixia newspaper (海峽導報).

We acquired the land for the project by signing land use rights grant agreements with the PRC Government. The consideration for the land was RMB160.7 million. The project occupies a site area of approximately 26,367 sq.m. with an aggregate GFA of approximately 93,556 sq.m. As of August 31, 2009, over 91% of the GFA of the residential units had been sold. The project was developed by Yaozhou Co., our wholly-owned subsidiary. We hold a 100% interest in the project.

The following tables set forth certain information of the project as of August 31, 2009 except as otherwise indicated:

Construction period	October 2006 to December 2008
Pre-sale commencement date	August 2007
Development costs incurred as of December 31, 2008 (RMB in millions)	232
Total completed GFA (sq.m.)	93,556

	<u>Residential</u>	<u>Car Park Spaces</u>
Total completed saleable GFA (sq.m.)	77,095	7,069
Total saleable GFA sold (sq.m.)	73,427	0
Percentage of saleable GFA sold (%)	95	0
Total number of units	610	126
Average selling price per sq.m. (RMB)	9,817	—

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## BUSINESS

### PROJECTS UNDER DEVELOPMENT

#### Yuzhou Golden Seacoast (禹洲華僑金海岸)



Yuzhou Golden Seacoast is expected to be a residential complex located on Xinggang Road (興港大道) in Xiamen’s Haicang District (海滄區), close to Haicang Shizheng Plaza (海滄市政廣場), as well as Haicang’s music hall and theater. Certain units in Yuzhou Golden Seacoast feature innovative layout design elements which increase the usage area by a factor of approximately 30-40%. For example, due to our innovative design, certain rooms in these units qualify as semi-open patios for which only half of the actual usage area is considered as saleable GFA under relevant PRC regulations. The project received the “2007 Minnan Ten Best Units — Best Innovative Comfort Unit” (2007閩南十佳人居戶型—最具創意舒適戶型) from the Haixia newspaper (海峽導報).

Yuzhou Development Co., one of our wholly-owned subsidiaries, acquired the land for the project through a government-organized listing-for-sale. The consideration for the land was RMB376.0 million. In August 2006, the transferee of the land was changed to Yuzhou Real Estate Investment Co., one of our wholly-owned subsidiaries. The project is expected to occupy a site area of approximately 70,793 sq.m. with a planned aggregate GFA of approximately 243,000 sq.m. The project is being developed by Yuzhou Real Estate Investment Co. We hold a 100% interest in the project. For this project, we have been granted the land use rights certificate and the required construction works commencement permits. We have also received a pre-sale permit with respect to this project. We plan to hold a total saleable GFA of approximately 41,314 sq.m. for investment purposes.

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The following tables set forth certain information of the project as of August 31, 2009 except as otherwise indicated:

Planned construction period . . . . .	November 2006 to September 2010
Pre-sale commencement date . . . . .	October 2007
Development costs incurred as of December 31, 2008 (RMB in millions) . . . . .	309
Estimated further development costs to complete the project (RMB in millions) . . . . .	158
Total completed GFA (sq.m.) . . . . .	122,285
Total planned GFA under development (sq.m.) . . . . .	120,426

	<u>Residential</u>	<u>Retail</u>	<u>Car Park Spaces</u>
Total completed saleable GFA (sq.m.) . . . . .	89,532	20,376	6,069
Total saleable GFA under development (sq.m.) . . . . .	84,982	20,938	11,454
Total saleable GFA sold (sq.m.) . . . . .	105,000	0	0
Percentage of saleable GFA sold (%) . . . . .	60	0	0
Planned total number of units . . . . .	1,522	432	359

**Yuzhou World Trade Center (禹洲世貿國際)**



Yuzhou World Trade Center is expected to be a residential and commercial complex located in Xiamen’s central train station commercial district. The location features access to business and leisure destinations. The project consists of two phases. Phase I consists of Sections A and D, two high-rise towers, and Phase II consists of Section B, a third high-rise tower. The project includes residential units, a Wal-Mart and The Mall at Yuzhou World Trade Center. The project received the “Xiamen Most Valuable Complex” (廈門最具配套價值樓盤) award in 2009 from the Quanzhou Evening News newspaper (泉州晚報社).

The Mall at Yuzhou World Trade Center is a commercial complex located within Yuzhou World Trade Center. The Mall at Phase I of Yuzhou World Trade Center contains shopping, dining, and entertaining venues and has become one of the most popular destinations for consumers in

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Xiamen. The Mall at Phase II of Yuzhou World Trade Center has added more attractions and facilities, making it the top destination for consumers in Xiamen. More than 20 million consumers visit the The Mall at Yuzhou World Trade Center every year.

We acquired the land for the project through the acquisition of a then Independent Third Party company. The consideration for the acquisition of the company was RMB258.4 million. The entire project is expected to occupy a site area of approximately 19,454 sq.m. with a planned aggregate GFA of approximately 204,477 sq.m. The project is expected to comprise approximately 1,465 residential units with a total saleable GFA of approximately 100,002 sq.m., 287 retail shop units with a total saleable GFA of approximately 65,601 sq.m. and 332 car park spaces with a GFA of approximately 17,769 sq.m.

Construction of Phase I of Yuzhou World Trade Center commenced in May 2001 and was completed in December 2008. Construction of the Mall at Phase II of Yuzhou World Trade Center was completed in January 2009. Construction of Phase II of Yuzhou World Trade Center commenced in July 2006 and is expected to be completed in December 2009. The project is being developed by Guifeng Co., one of our wholly-owned subsidiaries, which we acquired in February 2007. We hold a 100% interest in the project. For this project, we have been granted the land use rights certificate and the required construction works commencement permits. We have also received pre-sale permits for this project. We plan to hold a total saleable GFA of approximately 49,838 sq.m. for investment purposes.

The following tables set forth certain information of the project as of August 31, 2009 except as otherwise indicated:

*Phase I*

Construction period	May 2001 to December 2008
Pre-sale commencement date	June 2007
Development costs incurred as of December 31, 2008 (RMB in millions)	225
Total completed GFA (sq.m.)	136,312

	<u>Residential</u>	<u>Retail</u>	<u>Car Park Spaces</u>
Total completed saleable GFA (sq.m.)	58,084	49,096	12,012
Total saleable GFA sold (sq.m.)	50,802	15,764	445
Percentage of saleable GFA sold (%)	87	32	4
Total number of units	961	202	238

*Phase II*

Planned construction period	July 2006 to December 2009
Pre-sale commencement date	May 2008
Development costs incurred as of December 31, 2008 (RMB in millions)	214
Estimated further development costs to complete the project (RMB in millions)	11
Total completed GFA (sq.m.)	0
Total planned GFA under development (sq.m.)	68,164

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	<u>Residential</u>	<u>Retail</u>	<u>Car Park Spaces</u>
Total completed saleable GFA (sq.m.) . . . . .	0	0	0
Total saleable GFA under development (sq.m.) . . . . .	41,918	16,505	5,757
Total saleable GFA sold and pre-sold (sq.m.) . . . . .	26,701	0	0
Percentage of saleable GFA sold and pre-sold (%) . . . . .	64	0	0
Planned total number of units . . . . .	504	85	94

**Yuzhou Jinqiao International (禹洲金橋國際)**



Yuzhou Jinqiao International is expected to be a commercial complex located in the Pudong district of Shanghai. Located at the intersection of New Jinqiao Road (新金橋路) and Jingang Road (金港路), the project is adjacent to the Jinqiao Commercial District. The design for certain units in Yuzhou Jinqiao International features raised ceilings of 5.3 meters, providing the option to our customers of constructing a mezzanine level which can increase the usage area by a factor of at least 90%. This project is a collaboration with Singaporean architecture firm CPG Corp. and First Pacific Davies Company Limited. The project received the “2009 Central Shanghai Most Valuable Investment Complex” (2009 上海中環最具投資價值樓盤) award from NetEase.com Real Estate (網易房產頻道), an Independent Third Party website.

We acquired the land for Phase I of the project through the acquisition of a then Independent Third Party company. The consideration for the acquisition of the company was RMB79 million. We acquired the land for Phase II of the project through the acquisition of a third-party company. The consideration for the acquisition of the company was RMB30 million. We acquired the land for Phase III of the project through the acquisition of a third-party company. The consideration for the acquisition of the company was RMB137.3 million. We acquired the land for Phase IV of the project through a court-organized auction at a consideration of RMB43.5 million. The project is expected to

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occupy a site area of approximately 49,738 sq.m. with a planned aggregate GFA of approximately 234,513 sq.m. The project is expected to comprise approximately 2,837 office units with a total saleable GFA of approximately 175,857 sq.m., 160 retail shop units with a total saleable GFA of approximately 15,765 sq.m. and 915 car park spaces with a GFA of approximately 39,544 sq.m. We plan to hold a total saleable GFA of approximately 15,765 sq.m. for investment purposes.

The project is divided into four phases. Phase I, namely Shanghai Yuzhou International Tower (上海禹洲國際大廈), is being developed by Yuejiang Co., one of our subsidiaries. Phase II, namely Shanghai Yuzhou Jinqiao International Tower (上海禹洲金橋國際大廈), is being developed by Kangtai Co., one of our subsidiaries. Phase III, namely Shanghai Yanhai Tower (上海燕海大廈), is being developed by Shanghai Yanhai Co., one of our subsidiaries. Phase IV, namely Shanghai Liyade Tower (上海利雅得大廈), will be developed by Liyade Co., one of our subsidiaries. We hold a 100% interest in the project. For this project, we have been granted the land use rights certificates for all four phases and the required construction works commencement permits and pre-sale permits for the first three phases.

We have not commenced the construction of Phase IV of Yuzhou Jinqiao International due to uncertainty over the land’s designated land use purpose. We acquired the land for Phase IV of Yuzhou Jinqiao International through a court-organized auction. The land for Phase IV of Yuzhou Jinqiao International consists of two plots, Plot A and Plot B, with GFA of approximately 18,666 sq.m. and 51,137 sq.m., respectively. At the time of purchase, the land use purpose of Plot A was research use, which is designated for research uses by companies and institutions, and the land use purpose of Plot B was office use, which is designated for general office uses. The local government, at the time of our purchase of the land, intended to change, within the district in which the land for Phase IV of Yuzhou Jinqiao International is located, all plots designated for research use from research use to office and commercial uses. We subsequently applied to change the land use purpose for Plot A of Phase IV of Yuzhou Jinqiao International from research use to office and commercial uses to be in compliance with the local government’s intended change of land use purposes. However, in August 2009, the local government informed us that it decided not to make the proposed change and the land use purpose of Plot A of Phase IV of Yuzhou Jinqiao International remains as for research use. Shortly thereafter, we submitted the application for the construction land planning permit for Phase IV of Yuzhou Jinqiao International on September 15, 2009 and will apply for and obtain other permits required for the commencement of construction of such project in accordance with normal procedures. We expect to obtain all required permits, including the work commencement permit, and commence construction prior to the end of 2009. Please see “Risk Factors — Risks Related to the PRC Real Estate Industry — We may be required to forfeit land to PRC Government if we fail to comply with the terms of our land grant contracts” for more details.

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The following tables set forth certain information of the project as of August 31, 2009 except as otherwise indicated:

*Phase I - Shanghai Yuzhou International Tower (上海禹洲國際大廈)*

Construction period . . . . .	March 2006 to April 2008
Pre-sale commencement date . . . . .	January 2007
Development costs incurred as of December 31, 2008 (RMB in millions) . . . . .	198
Total completed GFA (sq.m.) . . . . .	34,434

	<u>Office Space</u>	<u>Retail</u>	<u>Car Park Spaces</u>
Total completed saleable GFA (sq.m.) . . . . .	23,995	3,829	6,087
Total saleable GFA sold (sq.m.) . . . . .	23,322	0	0
Percentage of saleable GFA sold (%) . . . . .	97	0	0
Total number of units . . . . .	494	51	135
Average selling price per sq.m. (RMB) . . . . .	13,937	—	—

*Phase II - Shanghai Yuzhou Jinqiao International Tower (上海禹洲金橋國際大廈)*

Construction period . . . . .	August 2006 to May 2009
Pre-sale commencement date . . . . .	September 2007
Development costs incurred as of December 31, 2008 (RMB in millions) . . . . .	161
Total completed GFA (sq.m.) . . . . .	57,329

	<u>Office Space</u>	<u>Retail</u>	<u>Car Park Spaces</u>
Total completed saleable GFA (sq.m.) . . . . .	45,892	3,661	7,075
Total saleable GFA sold (sq.m.) . . . . .	42,803	0	0
Percentage of saleable GFA sold (%) . . . . .	93	0	0
Total number of units . . . . .	847	24	130
Average selling price per sq.m. (RMB) . . . . .	17,045	—	—

*Phase III - Shanghai Yanhai Tower (上海燕海大廈)*

Planned construction period . . . . .	June 2007 to June 2010
Pre-sale commencement date . . . . .	December 2008
Development costs incurred as of December 31, 2008 (RMB in millions) . . . . .	96
Estimated further development costs to complete the project (RMB in millions) . . . . .	153
Total completed GFA (sq.m.) . . . . .	0
Total planned GFA under development (sq.m.) . . . . .	72,947

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	<u>Office Space</u>	<u>Retail</u>	<u>Car Park Spaces</u>
Total completed saleable GFA (sq.m.) . . . . .	0	0	0
Total saleable GFA under development (sq.m.) . . . . .	59,929	4,475	6,758
Total saleable GFA sold (sq.m.) . . . . .	30,485	0	0
Percentage of saleable GFA sold (%) . . . . .	51	0	0
Planned total number of units . . . . .	1,085	46	234

*Phase IV - Shanghai Liyade Tower (上海利雅得大厦)*

Planned construction period . . . . .	December 2009 to October 2012
Estimated pre-sale commencement date . . . . .	2nd Quarter 2010
Development costs incurred as of December 31, 2008 (RMB in millions) . . . .	14
Estimated further development costs to complete the project (RMB in millions) . . . . .	146
Total completed GFA (sq.m.) . . . . .	0
Total planned GFA under development (sq.m.) . . . . .	69,803

	<u>Office Space</u>	<u>Retail</u>	<u>Car Park Spaces</u>
Total completed saleable GFA (sq.m.) . . . . .	0	0	0
Total saleable GFA under development (sq.m.) . . . . .	46,041	3,800	19,624
Total saleable GFA sold (sq.m.) . . . . .	0	0	0
Percentage of saleable GFA sold (%) . . . . .	0	0	0
Planned total number of units . . . . .	411	39	416



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### Oriental Venice (東方威尼斯)



Oriental Venice is expected to be a residential community located in the city of Fuzhou (福州) in Fujian Province. The project is surrounded on three sides by Wulong River (烏龍江) and is adjacent to orange groves. The project is situated along the northern coast of Wulong River and has 1,750 meters of coastline. The project also overlooks Five Tiger Mountain (五虎山) on the other side of the river. The project has gathered numerous awards and accolades since the beginning of its development in 2004 including the “2004 Top Ten Unique Villas Gold Award” (2004中國十大特色別墅金獎) from China Villa Index System (中國別墅指數系統)<sup>(1)</sup>, Villa Magazine (別墅雜誌)<sup>(2)</sup> and China Real Estate Top 10 Research Team (中國房地產TOP 10研究組), the “2005 30 Impact Complexes in China” (2005影響中國的三十大典範社區) from China Media Real Estate Alliance (中國主流媒體房地產宣傳聯盟)<sup>(3)</sup>, “2006 China’s Most Valuable Investment Villa Award” (2006中國最具投資價值極品別墅獎) from Renmin Daily (人民日報社), the “China International Garden Community Award” (中國國際花園社區獎) and The International Awards for Liveable Communities (全球最適宜人類居住城市(社區)國際大獎) in 2005 and the “China’s Most Scenic Villa” (全國最佳景觀別墅) in 2007 from China Architectural Culture Center (中國建築文化中心)<sup>(4)</sup>. In addition to boasting the longest coastline in southeast China, the project provides private boats with access to the Wulong River through two separate entrances reserved for the exclusive use of residents of Oriental Venice.

- (1) The China Villa Index System is a component of the China Real Property Index System (中國房地產指數系統) and serves to evaluate the villa market in China. The China Real Property Index System was originally established by the China Real Property Association (中國房地產業協會), the Information Center of Development Research Center under the State Council (國務院發展研究中心信息中心) and the China Real Property Development Group (中國房地產開發集團). It is currently operated by China Index Institute (中國指數研究院) and is an Independent Third Party.
- (2) Villa Magazine is a PRC lifestyle magazine focusing on high-end living. It highlights issues on high-end lifestyle living in China, recommends high quality villas and provides guidance on property acquisition and lifestyle for its readers. It is an Independent Third Party.
- (3) The China Media Real Estate Alliance was formed by 35 leading media entities in the PRC, the Alliance intends to improve and strengthen the communications and cooperation between media entities and real property businesses, coordinate advertising activities of its members in connection real property market, and serve as a guiding force for the media and the public. It is an Independent Third Party.
- (4) China Architectural Culture Center is a research institution affiliated with the PRC Ministry of Construction. Since its formation in 1997, it has provided multiple services for international communications, conference and forums activities, trainings, consultations and exhibitions. It is an Independent Third Party.

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We acquired the land for the project through the acquisition of a then Independent Third Party company. The consideration for acquisition of the 80% equity interest of our Company was RMB409.4 million. The project is expected to occupy a site area of 706,397 sq.m. with a planned aggregate GFA of approximately 365,512 sq.m. The project is expected to comprise residential units with a total saleable GFA of approximately 320,627 sq.m., retail shop units with a total saleable GFA of approximately 8,233 sq.m. and car park spaces with a GFA of approximately 18,495 sq.m.

The project is divided into three phases and being developed by Dashijie Co., one of our subsidiaries. We hold an 80% interest in the project. For this project, we have been granted the land use rights certificate to the project and the required construction works commencement permits for the first two phases. We have also received a pre-sale permit with respect to part of the project. We plan to retain a total saleable GFA of approximately 15,733 sq.m. for investment purposes.

We have not commenced construction of Phase III of Oriental Venice due to uncertainty over the plot ratio of the land. We acquired the land for Phase III of Oriental Venice through the acquisition of a then Independent Third Party company, the land premium of which was RMB222 million. The construction commencement due date stated in the land grant contract is October 15, 2008. The plot ratio stated in the land grant contract designates the land to be used for low density residences. In May 2008, we applied to change the plot ratio of the land to build high density residences. In April 2009, the local government passed a resolution to maintain the original plot ratio for the land. Subsequently, we engaged a third party design firm in August 2009 to revise the project design for such project in accordance with the original plot ratio and expect to submit in October 2009 the project design documents to the government for approval as required for the construction works planning permit. The construction land planning permit for Phase III of Oriental Venice was obtained by Dashijie Co. in 2005 prior to our acquisition of Yingfeng Co., the parent company of Dashijie Co., in 2007. We will apply for and obtain other permits required for the commencement of construction of such project in accordance with normal procedures, and expect to obtain all the required permits, including the work commencement permit, and commence the construction of Phase III of Oriental Venice prior to the end of 2010. Please see “Risk Factors — Risks Related to the PRC Real Estate Industry — We may be required to forfeit land to PRC Government if we fail to comply with the terms of our land grant contracts” for more details.

We acquired Yingfeng Co., which possessed the land use rights to the land for Oriental Venice, in March 2007. At the time of acquisition, Yingfeng Co. had completed certain units in Phase I of Oriental Venice and had commenced pre-sale of these units in 2004. All of the units completed by Yingfeng Co. had been delivered by the time of our acquisition in 2007 and the sales derived from such units were recognized by Yingfeng Co. Construction of the remaining units of Phase I of Oriental Venice has recently been completed and we do not expect to incur further estimated development cost. We are in the process of applying for the completed construction works certified report for such units and expect to receive the report before March 2010.

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The following tables set forth certain information of the project as of August 31, 2009 except as otherwise indicated:

*Phase I*

Planned construction period .....	September 2004 to March 2010
Pre-sale commencement date .....	2004
Development costs incurred as of December 31, 2008 (RMB in millions) .....	34
Estimated further development costs to complete the project (RMB in millions) .....	0
Total completed GFA (sq.m.) .....	0
Total planned GFA under development (sq.m.) .....	77,175

	<u>Residential</u>	<u>Retail</u>	<u>Car Park Spaces</u>
Total completed saleable GFA (sq.m.) .....	56,721	1,622	0
Total saleable GFA under development (sq.m.) .....	13,416	0	1,893
Total saleable GFA sold (sq.m.) .....	56,467	0	0
Percentage of saleable GFA sold and pre-sold (%) .....	81	0	0
Planned total number of units .....	247	9	50

*Phase II*

Planned construction period .....	March 2007 to December 2009
Pre-sale commencement date .....	September 2008
Development costs incurred as of December 31, 2008 (RMB in millions) .....	128
Estimated further development costs to complete the project (RMB in millions) .....	74
Total completed GFA (sq.m.) .....	0
Total planned GFA under development (sq.m.) .....	67,779

	<u>Residential</u>	<u>Car Park Spaces</u>
Total completed saleable GFA (sq.m.) .....	0	0
Total saleable GFA under development (sq.m.) .....	57,439	3,461
Total saleable GFA sold and pre-sold (sq.m.) .....	4,890	46
Percentage of saleable GFA sold and pre-sold (%) .....	9	1
Planned total number of units .....	219	95

*Phase III*

Planned construction period .....	December 2010 to May 2013
Estimated pre-sale commencement date .....	October 2010
Development costs incurred as of December 31, 2008 (RMB in millions) .....	2
Estimated further development costs to complete the project (RMB in millions) .....	820
Total completed GFA (sq.m.) .....	0
Total planned GFA under development (sq.m.) .....	220,558

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	<u>Residential</u>	<u>Retail</u>	<u>Car Park Spaces</u>
Total completed saleable GFA (sq.m.) . . . . .	0	0	0
Total saleable GFA under development (sq.m.) . . . . .	193,306	6,611	13,141
Total saleable GFA sold and pre-sold (sq.m.) . . . . .	0	0	0
Percentage of saleable GFA sold and pre-sold (%) . . . . .	0	0	0
Planned total number of units . . . . .	TBD	TBD	TBD

**Yuzhou Gu Shan No. One (禹洲鼓山一號)**



Yuzhou Gu Shan No. One is expected to be a residential complex consisting of garden villas and duplexes. The project, nestled in the hills adjacent to the Gu Shan National Park (國家級風景區鼓山), is located in the eastern part of the city of Fuzhou, close to the Fuma Freeway (福馬快速路) and the east third ring of Fuzhou (福州東三環). Each unit includes private garden, car park garage, equipment room and balcony. Gym, community center, outdoor swimming pool and tennis courts are provided for the community. Our Yuzhou Gu Shan No. One project was named one of the “2008 China Real Estate Index System Top Ten Recommended High-End Villas” (2008中國房地產指數系統測評推薦的十大高端別墅) by China Real Estate Index System of China Index Academy<sup>(1)</sup> (中國指數研究院中國房地產指數系統) and Real Estate and Market Research Committee of China Real Estate Association (中國房地產協會產業與市場研究專業委員會)<sup>(2)</sup>.

We acquired the land for the project through the acquisition of a then Independent Third Party company. The consideration for the acquisition of the company was RMB115 million. The project occupies a total site area of approximately 234,160 sq.m., with an aggregate GFA of 87,576 sq.m. The project is being developed by Fujian Yanhai Co., one of our subsidiaries. We hold a 60% interest in the project. For this project, we have been granted the land use rights certificate and the required construction works commencement permits.

(1) China Real Property Index System was established in 1994 with coverage of 17 cities throughout China.

(2) China Real Estate Association is an incorporated society registered with the PRC Ministry of Civil Affairs and conducts its activities under the administration of the PRC Ministry of Construction. The Association is a non-profit organization with voluntary memberships including the enterprises and institutions specializing in the development, operation, trading and brokerage of real estate businesses, decorations, and property management, local real estate associations and individuals in the real estate sector.

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The following tables set forth certain information of the project as of August 31, 2009 except as otherwise indicated:

Planned construction period .....	September 2006 to December 2010
Estimated pre-sale commencement date .....	December 2009
Development costs incurred as of December 31, 2008 (RMB in millions) .....	244
Estimated further development costs to complete the project (RMB in millions) .....	51
Total completed GFA (sq.m.) .....	0
Total planned GFA under development (sq.m.) .....	87,576

	<u>Residential</u>	<u>Car Park Spaces</u>
Total completed saleable GFA (sq.m.) .....	0	0
Total saleable GFA under development (sq.m.) .....	63,399	19,826
Total saleable GFA sold and pre-sold (sq.m.) .....	0	0
Percentage of saleable GFA sold and pre-sold (%) .....	0	0
Planned total number of units .....	183	398

#### **Yuzhou International Hotel (禹洲國際大酒店)**

Yuzhou International Hotel is expected to be a high-end, mixed-use project located in Wuyuan Bay (五緣灣), Xiamen’s Central Business District (CBD). The hotel faces Haibang Lake (海傍湖), next to one of Xiamen’s newest tourist attraction, Island Ring Road (環島路). The project is close to Gaoqi International Airport (高崎國際機場), Xiamen International Convention and Exhibition Center, Xiamen Train Station and the city center, Xiamen Port and Xiamen University. The entire project will comprise the five-star standard Yuzhou International Hotel, a shopping center and villas. The hotel is expected to have more than 400 guest rooms and suites, with most of the rooms enjoying ocean views. The hotel will also have a banquet hall, conference rooms, restaurants, business center, gym, swimming pool and bar.

We acquired the land for the project through a government-organized listing-for-sale for a consideration of RMB120.0 million. The project occupies a total site area of approximately 60,018 sq.m., with an aggregate GFA of approximately 125,221 sq.m. The project is developed by Xiamen Yuzhou Hotel Co., our wholly-owned subsidiary. We hold a 100% interest in the project. For this project, we have been granted the land use rights certificate and the required construction works commencement permits for basement construction work. We intend to hold the hotel, which is expected to commence operation in December 2012, for long-term investment.

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The following tables set forth certain information of the project as of August 31, 2009 except as otherwise indicated:

Planned construction period . . . . .	October 2007 to September 2012
Development costs incurred as of December 31, 2008 (RMB in millions) . . . .	23
Estimated further development costs to complete the project (RMB in millions) . . . . .	641
Total completed GFA (sq.m.) . . . . .	0
Total planned GFA under development (sq.m.) . . . . .	125,221

	<u>Total Saleable GFA</u> (sq.m.)	<u>Total Planned units</u>
Hotel/villas . . . . .	60,018	678
Retail shop units . . . . .	42,124	TBD
Total . . . . .	<u>102,142</u>	<u>TBD</u>

**Yuzhou Gangyi Square (禹洲港誼廣場)**

Yuzhou Gangyi Square is expected to be an office building located on South Hubin Road (湖濱南路) in Xiamen, on the southern edge of Yundang Lake (筭筭湖). We believe the architectural design of the 41-story tower, with its modern and streamlined design, represents the spirit of the lake environment and intend that the unique sail shape of the building be seen as a symbol of leadership.

We acquired the land for the project by signing land use rights grant agreements with the PRC Government whereby the land was transferred to us from an Independent Third Party in February 2006. The consideration for the land was RMB151.4 million. Xiamen Huicheng Construction and Development Company Limited, an independent third party, acquired the land through signing land use rights grant agreement with the PRC Government in July 2005. In February 2006, upon the approval of local PRC Government, the transferee of the land was changed to Gangyi Investment Co. The project occupies a total site area of approximately 3,333 sq.m., with an aggregate GFA of approximately 60,251 sq.m. The project is being developed by Gangyi Investment Co., one of our wholly-owned subsidiaries. We hold a 100% interest in the project. We plan to hold the project for investment purposes. For this project, we have been granted the land use rights certificate and the required construction works commencement permits.

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<b>BUSINESS</b>
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The following tables set forth certain information of the project as of August 31, 2009 except as otherwise indicated:

Planned construction period .....	September 2007 to November 2012										
Development costs incurred as of December 31, 2008 (RMB in millions) .....		45									
Estimated further development costs to complete the project (RMB in millions) .....		186									
Total completed GFA (sq.m.) .....		0									
Total planned GFA under development (sq.m.) .....		60,251									
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: center;"><u>Office Space</u></th> <th style="width: 20%; text-align: center;"><u>Car Park Spaces</u></th> </tr> </thead> <tbody> <tr> <td>Total planned GFA under development (sq.m.) .....</td> <td style="text-align: center;">48,998</td> <td style="text-align: center;">8,863</td> </tr> <tr> <td>Total number of units .....</td> <td style="text-align: center;">150</td> <td style="text-align: center;">278</td> </tr> </tbody> </table>				<u>Office Space</u>	<u>Car Park Spaces</u>	Total planned GFA under development (sq.m.) .....	48,998	8,863	Total number of units .....	150	278
	<u>Office Space</u>	<u>Car Park Spaces</u>									
Total planned GFA under development (sq.m.) .....	48,998	8,863									
Total number of units .....	150	278									

**Yuzhou Yuanbo City (園博學府)**



Yuzhou Yuanbo City is expected to be a residential complex located close to Jimei University (集美大學) on Jimei Tongji Road (集美同集路) in Xiamen. The project includes basketball and tennis courts and other community facilities. The project is also adjacent to Fujian Province’s largest indoor arena. The project received the “Xiamen Top Ten Most Anticipated Complex” (廈門十大最值得期待樓盤) award in 2008 from Xiamen Daily (廈門日報社).

We acquired the land for the project through the acquisition of a then Independent Third Party company. The consideration for the acquisition of the company was RMB400 million and HK\$30 million. The project is expected to occupy a site area of approximately 90,750 sq.m., with a planned aggregate GFA of approximately 480,252 sq.m. The project is being developed by Jinguoji Co., one of our wholly-owned subsidiaries. We hold a 100% interest in the project. For this project, we have been granted the land use rights certificate. We have received the required construction works commencement permits for part of this project. We plan to retain a total saleable GFA of approximately 10,059 sq.m. for investment purposes.

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The following tables set forth certain information of the project as of August 31, 2009 except as otherwise indicated:

Planned construction period .....	October 2007 to September 2012
Pre-sale commencement date .....	December 2008
Development costs incurred as of December 31, 2008 (RMB in millions) ...	240
Estimated further development costs to complete the project (RMB in millions) .....	769
Total completed GFA (sq.m.) .....	0
Total planned GFA under development (sq.m.) .....	480,252

	<u>Residential</u>	<u>Retail</u>	<u>Car Park Spaces</u>
Total completed saleable GFA (sq.m.) .....	0	0	0
Total saleable GFA under development (sq.m.) .....	397,655	8,208	50,895
Total saleable GFA sold (sq.m.) .....	161,393	0	0
Percentage of saleable GFA sold (%) .....	41	0	0
Planned total number of units .....	4,329	47	1,124

**Yuzhou Diyuan Manor (禹洲締元山莊)**



Yuzhou Diyuan Manor is expected to be a residential complex located at the cross section of Jinshang Road (金尚路) and Jinhu Road (金湖路) in Xiamen, close to Hutoushan Forest Park (虎頭山森林公園) and Wuyuan Bay (五緣灣).

We acquired the land for the project through the acquisition of a then Independent Third Party company. The consideration for the acquisition of the company was Singapore Dollars 2.4 million. The project is expected to occupy a total site area of approximately 52,715 sq.m., with a planned aggregate GFA of approximately 193,767 sq.m. The project is being developed by Xiamen Diyuan Co., one of our subsidiaries. We held a 95% interest in the project prior to November 2008. Subsequent to the increase in registered capital in Xiamen Diyuan Co. by our Group in November 2008, our interest in the project increased to 98%. We have been granted the land use rights certificate and the required construction works commencement permits for this project. We plan to retain a total saleable GFA of approximately 15,336 sq.m. for investment purposes.



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The following tables set forth certain information of the project as of August 31, 2009 except as otherwise indicated:

Planned construction period .....	March 2007 to September 2011
Estimated pre-sale commencement date .....	June 2010
Development costs incurred (RMB in millions) as of December 31, 2008 .....	118
Estimated further development costs to complete the project (RMB in millions) .....	310
Total completed GFA (sq.m.) .....	0
Total planned GFA under development (sq.m.) .....	193,767

	<u>Residential</u>	<u>Retail</u>	<u>Office Space</u>	<u>Car Park Spaces</u>
Total completed saleable GFA (sq.m.) .....	0	0	0	0
Total saleable GFA under development (sq.m.) .....	131,528	1,661	10,917	29,661
Total saleable GFA sold (sq.m.) .....	0	0	0	0
Percentage of saleable GFA sold (%) .....	0	0	0	0
Planned total number of units .....	1,032	32	TBD	526

**Yuzhou Huaqiao City (禹洲華僑城)**



Yuzhou Huaqiao City is expected to be a residential complex located in the city of Hefei (合肥) in Xinnancheng (新南城). The project will be situated in the vicinity of numerous attractions including Swan Lake (天鵝湖), Hui Yuan (徽園), as well as restaurants, markets, hospitals, schools and business centers. The project received the “Most Valuable Investment Complex Award” (最具投資潛力樓盤獎) in 2008 from the City of Hefei Residential Construction and Real Estate Development Committee (合肥市住宅建設與房地產開發協會)<sup>(1)</sup>, the Xin’an newspaper and the Anhui Spring Real Estate Transaction Conference Committee (安徽春季住宅交易會組委會)<sup>(2)</sup>.

We acquired the land for Phase I of the project through acquisition of a then Independent Third Party company. The consideration of the acquisition of the company was RMB28.0 million. We acquired the land for Phase II of the project to be developed by Kangli Co. through acquisition of a then Independent Third Party company and the land for Phase II of the project to be developed by

(1) The City of Hefei Residential Construction and Real Estate Development Committee is an organization formed by independent private Hefei real estate entities. It strives to improve the quality and reputation of the Hefei real estate market through collaboration and discussion. It is an Independent Third Party.

(2) The Anhui Spring Real Estate Transaction Conference Committee is a committee formed at the Anhui Spring Real Estate Transaction Conference, which is organized by the City of Hefei Residential Construction and Real Estate Development Committee and the Xin’an newspaper. It is an Independent Third Party.

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Hefei Yuzhou Co. through a government-organized listing-for-sale. The consideration for the acquisition of the Independent Third Party company was RMB22.4 million and the consideration for the acquisition of land through the government-organised listing-for-sale for Phase II of the project was RMB254.8 million. The project is expected to occupy a site area of approximately 446,757 sq.m. with a planned aggregate GFA of approximately 1,148,560 sq.m. The project is expected to comprise residential units with a total saleable GFA of approximately 982,680 sq.m., retail shop units with a total saleable GFA of approximately 93,900 sq.m. and car park spaces with a GFA of approximately 62,880 sq.m.

Phase I of the project is being developed by Ludong Co., one of our subsidiaries. Phase II of the project will be developed by Kangli Co. and Hefei Yuzhou Co., both of which are our subsidiaries. We hold a 100% interest in the project. We have been granted the land use rights certificate and have received the required construction works commencement permit for Phase I of this project. We plan to retain a total saleable GFA of approximately 98,700 sq.m. for investment purposes.

We have experienced delays in the construction of Phase I and II of Yuzhou Huaqiao City. According to a certificate issued by the local land acquisition and reserve center and county government, the delays were due to a delay in the finalization of the construction plan for a trans-province high-speed railway project which is expected to pass through the land for Yuzhou Huaqiao City. Please refer to the section headed “Risk Factors — Risks Relating to the PRC Real Estate Industry — We may be required to forfeit land to the PRC Government if we fail to comply with the terms of our land grant contracts” in this document.

The following tables set forth certain information of the project as of August 31, 2009 except as otherwise indicated:

*Phase I*

Construction period . . . . .	September 2008 to September 2014
Estimated pre-sale commencement date . . . . .	November 2009
Development costs incurred as of December 31, 2008 (RMB in millions) . . . . .	15
Estimated further development costs to complete the project (RMB in millions) . . . . .	190
Total completed GFA (sq.m.) . . . . .	0
Total planned GFA under development (sq.m.) . . . . .	175,960

	<u>Residential</u>	<u>Retail</u>	<u>Car Park Spaces</u>
Total completed saleable GFA (sq.m.) . . . . .	0	0	0
Total saleable GFA under development (sq.m.) . . . . .	148,880	14,600	11,880
Total saleable GFA sold (sq.m.) . . . . .	0	0	0
Percentage of saleable GFA sold (%) . . . . .	0	0	0
Planned total number of units . . . . .	1,460	TBD	670

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*Phase II*

Planned construction period .....	October 2009 to December 2014
Estimated pre-sale commencement date .....	2 <sup>nd</sup> Quarter 2010
Development costs incurred as of December 31, 2008 (RMB in millions) .....	0
Estimated further development costs to complete the project (RMB in millions) .....	1,253
Total completed GFA (sq.m.) .....	0
Total planned GFA under development (sq.m.) .....	972,600

	<u>Residential</u>	<u>Retail</u>	<u>Car Park Spaces</u>
Total completed saleable GFA (sq.m.) .....	0	0	0
Total saleable GFA under development (sq.m.) .....	833,800	79,300	51,000
Total saleable GFA sold (sq.m.) .....	0	0	0
Percentage of saleable GFA sold (%) .....	0	0	0
Planned total number of units .....	TBD	TBD	2,930

## OUR POTENTIAL PROJECTS

### F1 Plaza (F1 廣場)

In May 2009, we entered into a land grant contract to acquire the land for the project F1 Plaza through a government-organized listing-for-sale. The consideration for the land is RMB226 million. According to the land grant contract, we are required to make installment payments of RMB67.8 million, RMB67.8 million, RMB45.2 million and RMB45.2 million prior to July 15, 2009, November 15, 2009, February 15, 2010 and May 15, 2010, respectively. We have paid RMB67.8 million as of the date of this document. F1 Plaza is expected to be a residential and retail complex located close to Ruijing commercial area on West Lianqian Road (蓮前西路). The project is adjacent to the Dongfang Shanzhuang Station (東方山莊站) of Xiamen’s new Bus Transit System, or BRT (快速公交系統) and is in close proximity to the Yunding Mountain (雲頂山). It is expected to occupy a site area of approximately 15,652 sq.m., with a planned aggregate GFA of approximately 79,000 sq.m. A planned GFA of approximately 24,000 sq.m. will be used to build a BRT terminal and related facilities for the government on the land for the project F1 plaza. The project will be developed by Hai Tian Co., one of our wholly-owned subsidiaries. We will hold a 100% interest in the project.

### Yuzhou Zun Hai (禹洲尊海)

In September 2009, we entered into a land grant contract to acquire a parcel of land located in Xiamen’s Haicang District (海滄區) through a government-organized listing-for-sale. The consideration for the land is RMB1,500.0 million. According to the land grant contract, we are required to make installment payments of RMB450.0 million, RMB450.0 million, RMB300.0 million and RMB300.0 million prior to November 17, 2009, March 17, 2010, September 17, 2010 and March 17, 2011, respectively. We have paid RMB164.0 million as of the date of this document. We intend to fully settle the outstanding land premium by December 2010. We expect to fund the acquisition of the land and the construction costs of Yuzhou Zun Hai with receipts from pre-sales of our properties for the six months ending December 31, 2009 and the year ending December 31, 2010. According to the land grant contract, we are required to commence construction of Yuzhou Zun Hai prior to September 2011 and complete the project prior to September 2014. The project is expected to be a residential and retail complex located on Xinggang Road (興港路), which is in close proximity to Gulangyu (鼓浪嶼). It is

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expected to occupy a site area of approximately 107,622 sq.m., with a planned aggregate GFA of approximately 301,000 sq.m. The project will be developed by Yuzhou Real Estate Investment Co., one of our wholly-owned subsidiaries. We will hold a 100% interest in the project.

**Yuzhou Hai Cang (禹洲海滄)**

Pursuant to a transfer agreement entered into between Orient (Xiamen) Golf Country Club Recreation Co. Ltd. and us on September 22, 2009, we agreed to acquire from Orient (Xiamen) Golf Country Club Recreation Co. Ltd. a parcel of land located in Xiamen’s Haicang District (海滄區) for a consideration of RMB134 million. The transfer agreement is subject to the approval of the shareholders of Orient (Xiamen) Golf Country Club Recreation Co. Ltd., pursuant to which, the parties agreed to enter into a definitive transfer contract to effect the transfer of the land parcel within 60 days of the date of the transfer agreement and the transfer agreement will terminate if the parties are not able to enter into a definitive transfer contract within 60 days of the date of the transfer agreement. The project is expected to be a residential complex located on Maqing Road (馬青路), adjacent to a golf course. It is expected to occupy a site area of approximately 55,986 sq.m., with a planned aggregate GFA of no less than 81,511 sq.m. After the completion of this proposal acquisition, the project will be developed by Yuzhou Real Estate Investment Co., one of our wholly-owned subsidiaries, and we will hold a 100% interest in the project.

We are currently seeking additional development opportunities in Xiamen, Shanghai, Hefei and Fuzhou and continue to assess possible development opportunities in other locations in the PRC.

**PROJECT DEVELOPMENT**

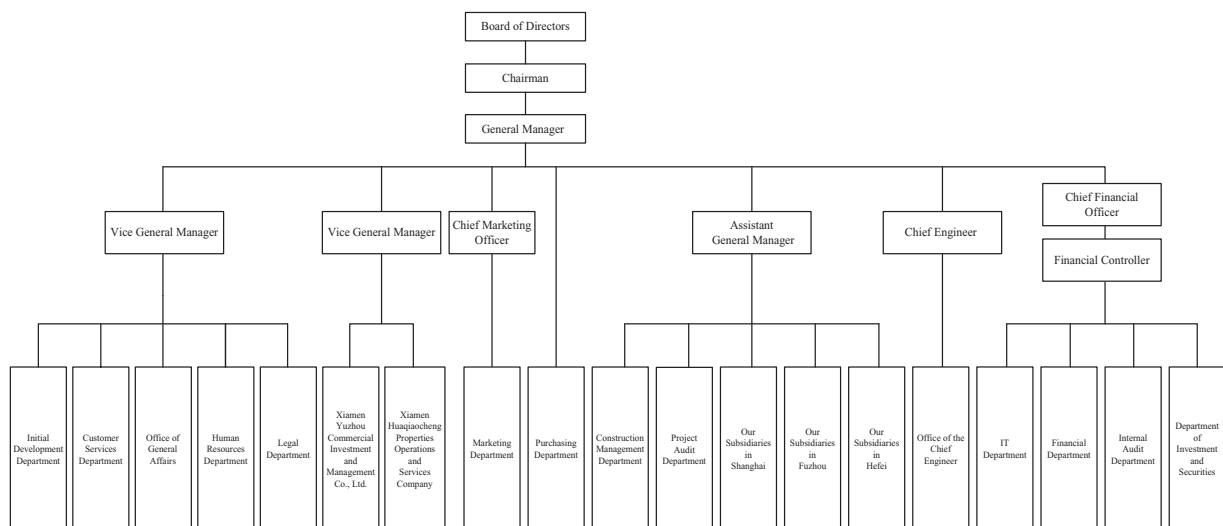
Although the nature and sequence of specific planning and execution activities will vary among projects, we have summarized below the core elements of our typical project development process for our residential and commercial properties for sale:

<u>Land acquisition</u>	<u>Project planning and preliminary work</u>	<u>Design</u>	<u>Construction</u>	<u>Pre-sales and Sales</u>	<u>After Sale Services</u>
<ul style="list-style-type: none"> <li>• Site evaluation/ identification</li> <li>• Market analysis</li> <li>• Feasibility Study</li> <li>• Land acquisition</li> </ul>	<ul style="list-style-type: none"> <li>• In-depth market analysis</li> <li>• Product positioning</li> <li>• Develop plan design</li> <li>• Develop the overall theme and characteristics of design</li> </ul>	<ul style="list-style-type: none"> <li>• Schematic design</li> <li>• Structural design</li> <li>• Construction design</li> <li>• Unit design</li> <li>• Drawings</li> <li>• Landscape design</li> <li>• Interior design</li> </ul>	<ul style="list-style-type: none"> <li>• Contractor selection</li> <li>• Procurement of supplies</li> <li>• Construction supervision</li> <li>• Completion inspection</li> </ul>	<ul style="list-style-type: none"> <li>• Pre-sale permit application</li> <li>• Marketing to existing and potential customers</li> <li>• Sales and sales management</li> <li>• Mortgage and registration assistance</li> <li>• Delivery of property</li> </ul>	<ul style="list-style-type: none"> <li>• Property management</li> <li>• Residential activities</li> <li>• Customer services</li> <li>• Customer feedback and response</li> <li>• Customer database</li> </ul>

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**Project Management**

We have established specialized departments to supervise and manage the major stages of all our property developments. Our Chairman and President, Mr. Lam Lung On, and our senior management team work closely with the head of each of our departments to provide management guidance. We divide our project development process among several departments, including Department of Investments and Securities, Project Audit Department, Marketing Department, Finance Department, Construction Management Department, Initial Development Department, Office of General Affairs, Purchasing Department, Customer Services Department, Legal Department and Office of the Chief Engineer. We seek to enhance our operating efficiency, optimize our capacities and resources, enhance our negotiating power with suppliers and contractors and facilitate the sharing of resources and expertise among various projects in such areas as design, construction, marketing and sales through this management system. The chart below sets forth our management structure:



The Initial Development Department is responsible for conducting market research and analysis to track the macro- and socio-economic changes and growth patterns of cities in China in order to identify and assess target localities which we believe to have development potential. The Initial Development Department oversees the project selection process and participates in various other processes including land acquisition, pre-construction, pre-sale and sales and marketing.

**Project Selection and Product Positioning**

We believe site selection is fundamental to the success of a property development. Therefore, we devote significant management resources to site selection. Prior to purchasing a parcel of land, our Initial Development Department, together with other departments, will conduct market research on the potential demand for a property development on such site, determine the overall market positioning, establish a blueprint of the project design and calculate a target average selling price and gross profit margin for the project. We believe that all these pre-purchase measures help us acquire land prudently and develop our projects with clear market positioning from the beginning.

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To date, our focus has been on developments in Xiamen. We typically select sites in districts or neighborhoods that have a well-established infrastructure or that present significant opportunities for growth. We have already expanded to Shanghai, Fuzhou and Hefei. The key factors we consider in site selection include:

- government development plans for the relevant site;
- access to the site and availability of infrastructural support;
- purchaser demand for properties in the relevant area;
- existing and potential property developments in the area;
- the convenience of the site, such as proximity to the city center, airport, subway and commercial facilities;
- the surrounding environment, such as natural parks, greenery, lakes and rivers;
- the status of the land use rights with respect to the property that we may have interest to acquire in the secondary market;
- the terms of potential leases, including the potential for rent increases; and
- cost, investment and financial return, including cash flow and capital appreciation, of the potential developments.

We intend to continue to seek suitable opportunities in residential property development as they arise, and will continue to be subject to PRC laws and regulations which, among other things, restrict the land that will be made available in the future for residential property developments. Please see “Industry and Regulatory Overview — Regulatory Overview” for more details.

### Land Acquisition

The PRC Rules Regarding the Grant of State-Owned Land Use Rights by Way of Tender, Auction and Listing-for-sale (《招標拍賣掛牌出讓國有土地使用權規定》) issued by the PRC Ministry of Land and Resources provide that, from July 1, 2002, state-owned land use rights for the purposes of commercial use, tourism, entertainment and commodity residential property development in the PRC must be granted by the government only through public tender, auction or listing-for-sale. Prior to the effective date of these rules, we obtained most of our land use rights through transfer arrangements with local governments or original grantees of land use rights. We also obtained some of our land use rights by way of tender, auction or listing-for-sale.

When land use rights are granted by way of a tender, an evaluation committee consisting of an odd number of at least five members (including a representative of the grantor and other experts), evaluates and selects the tenders that have been submitted. When deciding to whom to grant land use rights, the relevant authorities consider not only the tender price, but also the credit history and qualifications of the tenderer and its tender proposal. When land use rights are granted by way of an auction, a public auction is held by the relevant local land bureau and the land use rights are granted to

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the highest bidder. When land use rights are granted by way of listing-for-sale, the relevant local land bureau will announce the conditions for granting the land use rights at designated land transaction centers and the bids are submitted accordingly by the bidders. The land use rights are granted to the bidder submitting the highest bid by the end of the listing-for-sale period. If two or more parties request a competitive bidding, an on-site competitive bidding shall take place and the land use rights are granted to the highest bidder.

Under current regulations, original grantees of land use rights are typically allowed to sell, assign or transfer the land use rights granted to them in secondary markets, provided that (i) the premium for the grant of land use rights must have been paid in full in accordance with the land grant contract and a land use right certificate must have been obtained; (ii) investment or development have been made or carried in accordance with terms of the land grant contract; (iii) more than 25% of the total amount of investment or development have been made or completed; and (iv) where the investment or development involves a large tract of land, conditions for use of the land for industrial or other construction purposes have been satisfied.

In both government bids and purchases in the secondary market, the purchase price typically includes all expenses required to deliver land use rights, such as resettlement expenses.

During the three years ended December 31, 2008 and the six months ended June 30, 2009, we typically used three methods of land acquisition: (i) acquiring land use rights by signing land use rights grant agreements with the PRC Government; (ii) acquiring target companies which have acquired land use rights themselves; and (iii) acquiring land use rights through government-organized tender, auction and listing-for-sale.

### Certificates, permits and licenses

We are required to apply for various permits and licenses in order to commence construction and sale of our properties. If the land use right is acquired by way of grant, the land use rights grant contract will be a pre-condition to applications for the following certificates, permits and licenses:

- **land use rights certificate** (國有土地使用證). A certification of the right of a party to use a parcel of land;
- **construction land planning permit** (建設用地規劃許可證). A permit authorizing a developer to begin the surveying, planning and design of a parcel of land;
- **construction works planning permit** (建設工程規劃許可證). A certificate indicating government approval for a developer’s overall planning and design of the project and allowing a developer to apply for a work commencement permit;
- **work commencement permit** (建築工程施工許可證). A permit required for commencement of construction; and
- **pre-sale permit** (商品房預售許可證). A permit authorizing a developer to start the pre-sale of property under development.

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A property developer is allowed to commence construction on a property development upon obtaining the permit for commencement of construction work, which will only be issued after each of the land use rights certificate, the construction land planning permit and the construction work planning permit is obtained. As of the Latest Practicable Date, we had obtained all the required land use rights certificates for our properties under development and completed properties. We have not received the required permits for commencement of construction work for Phase II of Yuzhou Huaqiao City, Phase IV of Yuzhou Jinqiao International and Phase III of Oriental Venice. Please see “Risk Factors — Risks relating to our business — We may be required to forfeit land to the PRC Government if we fail to comply with the terms of our land grant contracts” for details.

### Financing of Projects

We primarily finance our property developments using contributions from shareholders, borrowings from banks and our internal funds and proceeds from the sale and presale of our properties. Our financing methods vary from project to project and are subject to limitations imposed by PRC regulations and monetary policies.

According to the relevant guidelines issued by the CBRC, banks may not provide any lending to any real estate project for which the land use certificate, construction land planning permit, construction works planning permit and work commencement permit have not yet been obtained. Under the Notice on Adjusting the Housing Supply Structure and Stabilizing Housing Prices (《關於調整住房供應結構穩定住房價格意見的通知》) jointly issued by the MOHURD and other PRC Government authorities in May 2006, commercial banks in China may not lend funds to property developers with an internal capital ratio of less than 35%, calculated by dividing the internal funds available by the total project capital required for a project. We typically use internal funds and project loans from PRC banks to finance the construction costs for our property developments. Additional cash is generated from pre-sales of properties when these properties meet the requirements of pre-sale under the relevant national and local regulations. Such proceeds from pre-sales, together with shareholder contributions and the project loans, are the major sources of funds for the construction of our projects.

### Project Design

With a view to achieving distinctive designs and operating efficiency, we typically outsource our design work to outside design experts. Our Office of the Chief Engineer is responsible for selecting third-party design firms by taking into consideration their reputation, proposed designs and their past relationship with us. Our Office of the Chief Engineer consists of engineers who supervise our architectural design, landscape design, mechanical engineering and structural engineering. It coordinates and works closely with the selected design firms in major aspects of the design process, from master planning, design specifications and adjustments, to raw material selection. Our Office of the Chief Engineer also monitors the work progress of the selected design firms to ensure that their project designs meet our design specifications and are completed on time. In recent years we have retained leading domestic and international design firms to help design our projects in various aspects, including master planning, architectural design, landscape design and interior design.



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We seek to distinguish our property developments by offering distinctive design features and adding additional functions to our property developments. For example, in our Yuzhou Golden Seacoast and Shuilian Manor projects, our innovative layout design increases the usage area by a factor of approximately 30%-40%. Our design for certain units in our Yuzhou Jinqiao International Project increases the usage area by a factor of at least 90%. The Yuzhou Golden Seacoast project was recognized as the “2007 Minnan Ten Best Units — Best Innovative Comfort Unit” (2007閩南十佳人居戶型——最具創意舒適戶型獎) by the Haixia newspaper (海峽導報). Our design for the Galaxy Garden project was recognized as the “2007 Minnan Ten Best Units — Best Classic Comfort Unit” (2007閩南十佳人居戶型——最經典舒適戶型) by the Haixia newspaper (海峽導報).

### Construction Work

We outsource our project construction work entirely to Independent Third Parties. A tender process is usually required to select contractors for construction projects pursuant to national and local regulations. Without any long-term construction outsourcing contracts in place, our Construction Management Department organises a tender process to work with a number of qualified contractors to create a competitive environment. We consider their track record performance, work quality, proposed delivery schedules and costs in our selection process and seek to maintain our construction costs at a reasonable level without sacrificing quality. We conduct a detailed investigation into the experience and credentials of the contractors during the bidding process before offering construction contracts to them. As of August 31, 2009, we engaged 15 construction contractors, all Independent Third Parties, on an individual project basis for the construction of our property developments. Our PRC legal advisor is of the view that we have engaged the construction contractors in a manner in compliance with the relevant PRC tender laws and regulations during the three years ended December 31, 2008 and the six months ended June 30, 2009. These contractors typically have had relationships of one to 11 years with our Group.

Payments to contractors are determined by taking into consideration the labour and material costs, fitting requirements and construction progress and are adjustable under the construction contracts. The construction contracts we enter into with construction companies typically contain warranties with respect to quality and timely completion of the construction projects. We require construction companies to comply with PRC laws and regulations relating to the quality of construction as well as our own standards and specifications. Our Construction Management Department, Project Audit Department and Office of the Chief Engineer monitor quality and cost control and construction progress closely during construction. In the event of a delay in construction or unsatisfactory quality of workmanship, we may require the construction companies to pay a penalty or provide other remedies. In an effort to ensure the quality of the services rendered by the contractors, our construction contracts typically provide for payments based on construction progress until a specified maximum percentage of the total contract sum is paid. Except for approximately 3% of the contract sum which we generally retain for two years from completion to cover any potential expenses incurred as a result of any construction defects, the remaining balance is payable upon the issue of a certificate approving construction quality. Upon the expiry of the two-year retention period, the balance of the retained amount is paid to the contractor. We have not experienced any circumstances where the retention amount was less than the amount we needed to pay to rectify construction defects during the three years ended December 31, 2008 and the six months ended June 30, 2009. The retention money is accounted for as a trade payable in the Accountants’ Report in Appendix I to this

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document. We did not have any disputes with any of our contractors during the three years ended December 31, 2008 and the six months ended June 30, 2009 which had or would be expected to have a material adverse effect on our business, financial condition and results of operations. Please see “Risk Factors — We rely on independent contractors to provide property development products and services” for more details.

Under PRC laws and regulations, construction companies bear the primary civil liability for personal injuries, accidents and deaths arising out of the construction if such personal injuries, accidents and death are caused by the construction companies. The owner of the property under construction may also bear liability supplementary to the liability of the construction company if the latter is not able to fully compensate the injured. The owner of the property under construction may also bear civil liability for personal injuries, accidents and death if such injuries are the fault of such owner. To help ensure construction safety on our Group’s project sites and compliance with relevant PRC laws and regulations, including environmental, social and safety regulations, we have provided a set of standards and specifications in our construction contracts for construction workers to comply with during the construction process. We had not experienced any destruction of or damage to our property developments, no personal injury-related claims have been brought against us and no material personal injury incident has occurred on our project sites during the three years ended December 31, 2008 and the six months ended June 30, 2009. We are not responsible for the labor problems of our contractors.

In the past, most of our projects have not included fittings and interior decorations so as to provide our customers with full flexibilities to renovate the properties based on their own preferences and needs. However, in response to market trends, we intend, through our subsidiary Gangli Decoration Co., to begin offering customized fitting and interior decoration services for certain of our projects going forward, with a view to creating further values for our properties. In such capacity, Gangli Decoration Co. may enter into arrangements and transactions with our project companies, which are related companies. Under PRC laws and regulations, arrangements and transactions among related parties are required to be filed with, and may be audited or challenged, by PRC tax authorities.

In 2006, 2007, 2008 and the six months ended June 30, 2009, payments to our construction contractors amounted to RMB625.1 million, RMB1,276.8 million, RMB941.2 million and RMB390.8 million, respectively. Payments to our single largest construction contractor accounted for approximately 32.4%, 13.7%, 25.2% and 36.6%, respectively, of our total payments under our construction contracts for 2006, 2007, 2008 and the six months ended June 30, 2009, respectively. Payments to our five largest construction contractors as a percentage of our total payments under construction contracts in each of 2006, 2007, 2008 and the six months ended June 30, 2009 were 50.8%, 41.8%, 62.6% and 61.3%, respectively. None of our Directors, their associates nor any shareholder holding more than 5% of our issued share capital has any interest in our five largest construction contractors.

### **Quality Control and Construction Supervision**

We place a strong emphasis on quality control to ensure that our properties comply with relevant regulations and are of high quality. These procedures are strictly followed by our functional

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departments, project companies and by our construction supervisors. As part of our quality control procedures, it is our policy to only contract with reputable design and construction companies.

We typically designate for purchase certain fixture materials such as doors, windows, sanitary fittings and kitchen cabinets, which are required to satisfy national standards or be from certain name brands. The general contractors procure more basic building materials, such as cement and steel. The general contractors procure most of the equipment necessary for each project in accordance with our specifications. We do not own any construction equipment and do not maintain any inventory of building materials. To maintain quality control, we employ very strict procedures for selection, inspection and testing of materials. Our project management teams inspect all equipment and materials to ensure compliance with the contractual specifications before accepting the materials on site and approving payment. We reject materials which are below standard or that do not comply with our specifications and return them to the suppliers.

To ensure quality and monitor the progress and workmanship of construction, each project has its own on-site project management team, comprised of qualified engineers led by our project controller. As of August 31, 2009, we had 32 qualified engineers employed by us. Our project management teams provide on-site supervision of the project. In addition, we have a quality control department which inspects the quality of the construction work on a selective basis. We also engage independent quality supervisory companies to conduct quality and safety control checks on all building materials and workmanship on site.

Our Construction Management Department is responsible for the supervision of the construction of our properties and ensuring that our properties meet a specified standard upon completion. In addition, prior to handing over a property to our customers, our engineers, customer service department and the relevant property management company will inspect the property.

### **Pre-sale**

We typically conduct pre-sales of our property units prior to the completion of a project or a project phase, subject to laws and regulations governing pre-sales of properties. According to the Urban Real Property Law (《中華人民共和國城市房地產管理法》) and the Administrative Measures Governing the Pre-sale of Urban Real Estate (《城市商品房預售管理辦法》), the following conditions must be fulfilled before the pre-sale of a particular property can commence:

- the land premium must be paid in full and the land use rights certificates must have been obtained;
- the construction works planning permit and the work commencement permit must have been obtained;
- the funds contributed to the development of the project shall amount to at least 25% of the total amount to be invested in the project and the project progress and the date of completion of the project for use must have been ascertained; and
- the pre-sale permit must have been obtained.

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According to the Regulations on Administration of Commodity Property Pre-sale of Xiamen (《廈門市商品房預售管理規定》), we are required to meet the following conditions, in addition to the first three conditions mentioned above, before obtaining a pre-sale permit for our projects in Xiamen:

- for commodity property consisting of three storeys or less, the basic foundation work and the structural construction of the building must have been completed;
- for commodity property consisting of four storeys or more with a basement, the basic foundation work and at least the first floor of the structural construction must have been completed; and
- for commodity property consisting of four storeys or more without a basement, the basic foundation work and at least four storeys must have been completed.

Please see “Regulatory Overview — The Land System of the PRC — Pre-sales and Sale” in Appendix IV to this document for more details.

### Sales and Marketing

We have a dedicated sales and marketing team of over 18 employees responsible for determining the appropriate advertising and sales plans for our property developments. In addition, we contract with third-party sales and marketing companies who are responsible for conducting detailed analyses of market conditions, preparing promotional materials, conducting general promotional campaigns, recommending unit prices and pricing-related policies for our projects and coordinating and monitoring our relationship with the media. Our property sales planning is typically divided into three stages, as set out below:

- Planning stage — During the construction of our properties, we will select and educate a third-party sales and marketing company. At this stage, the sales and marketing company will formulate a detailed sales plan including estimated selling prices, the selling period, number of units for sale and expense budget and refine our sales plans previously prepared at the project selection stage;
- Sales stage — Our senior management will confirm the Sales Plan and the relevant functional departments will implement the Sales Plan. We commence pre-sales after we obtain the relevant pre-sale permits; and
- Review stage — On a regular basis, we review our sales performance by comparing our actual sales results against the sales plan. Where there are significant differences, our senior management will investigate the reasons and put in place remedial plans where appropriate.

To further promote our “Yuzhou” brand, we adopt various direct measures to reach potential purchasers, including advertisements, real estate exhibitions, information sessions, multiple sales offices, property web sites, our own magazine “Yuzhou Club” (禹洲會同期聲), our Yuzhou Club membership and charity events. As of the Latest Practicable Date, our Yuzhou Club had over 7,900 members. Through the club membership and our “Yuzhou Club” magazine, we maintain close contact

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with our customers and motivate them to introduce our brand to other potential customers. With the intent of enriching the cultural experience of our communities, we provide cultural competitions, community activities, concerts, holiday events and games. We also collaborate with several name brand companies to provide services including architectural design, interior design and landscape design. Some of our collaborators include Peddle Thorp Melbourne Architects, United States design company Dawson Design Associates, Inc. and Hong Kong design company Shui Mu Qing Hua. We also collaborate with the Industrial and Commercial Bank of China in the issuance of our own “Yuzhou” brand credit card from which we did not derive any income. We entered into an agreement with the Industrial and Commercial Bank of China, which is renewable automatically after five years, solely for marketing purposes. Industrial and Commercial bank of China agreed to pay for the cost of manufacturing the credit cards and is responsible for all actions of the cardholders. We agree to refer our employees, members of our Yuzhou Club, our tenants, and consumers at our retail properties to the Industrial and Commercial Bank of China as potential cardholders. Some of our commercial tenants include Wal-Mart, PCD Stores, KFC, McDonald’s, Nike and Adidas.

Our five largest customers accounted for 23.3%, 13.6%, 1.5% and 0.9% of our revenue in 2006, 2007, 2008 and the six months ended June 30, 2009, respectively, and thus accounted for less than 30% of our revenue in each of these periods. All such customers were individual purchasers of our developed properties except for one commercial entity purchaser.

### **Payment Arrangements**

Purchasers of our properties can choose between payment by installment or lump sum. Where a purchaser chooses to pay by installments, at least 20% to 50% of the purchase price is typically required to be made as a down payment when the sales contract is entered into, the remaining of which will be arranged to be paid by a mortgage loan. In line with industry practice, we do not conduct independent credit checks on purchasers of our properties but rely on the credit checks conducted by the mortgagee banks. The mortgage bank would have conducted preliminary credit checks on a purchaser of our property when we enter into the sales and purchase agreement with such purchaser, and typically enters into a mortgage agreement with such purchaser within three months after the execution of the sales and purchase agreement. As a result, we had not experienced any forfeitures during the three years ended December 31, 2008 and the six months ended June 30, 2009.

In accordance with industry practice, we provide guarantees to banks with respect to the mortgage loans offered to purchasers of our properties. These guarantees are released upon the earlier of (i) the relevant property ownership certificates being delivered to the purchasers and (ii) the settlement of mortgage loans between the mortgagee banks and purchasers of our projects. During the three years ended December 31, 2008 and the six months ended June 30, 2009, there had been six lawsuits brought by mortgage banks against purchasers who defaulted on their mortgages and our Group as the guarantor of such mortgages, all but three of which were resolved as of the Latest Practicable Date. These defaults have not had, or are not expected to have, a material adverse effect on our financial condition or results of operations. We did not experience any new lawsuits resulting from defaults on residential mortgages guaranteed by us during the period between July 1, 2009 and the Latest Practicable Date. Please see “Risk Factors — Risk Relating to Our Businesses — We provide guarantees over mortgage loans given by banks to purchasers of our properties which may negatively impact our profitability if we are required to honor the guarantees” for more details.

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### **Delivery of Properties**

Once a property development has passed the requisite government inspections and received the Completed Construction Works Certified Report and is ready for delivery, we notify our customers and hand over keys and possession of the properties. Delivery of a property generally takes place within three months (depending on the type of the property) after the completion of the property. Our pre-sale or sale contracts provide the time frame for delivery and we are required to make penalty payments to the purchasers for any delay in delivery. Please see “Risk Factors — Risks Relating to Our Business — we may not be able to complete our development projects on time or at all” for more details.

### **Property Management**

We typically engage our own property management company, Huaqiaocheng Properties Co., to manage the residential properties we developed. Other than Yuzhou Garden and Phase I of Yuzhou Jinqiao International, all of our projects are currently managed by Huaqiaocheng Properties Co. Huaqiaocheng Properties Co. typically enters into property management agreements with the property owners. The property management contract sets forth the scope and the quality requirements of the services provided by our property management companies. According to the Regulation on Property Management (《物業管理條例》), we are not allowed to assign the full management responsibilities to a third party. Huaqiaocheng Properties Co. is responsible for establishing the property management procedures and preparing maintenance and renovation plans with respect to the properties and public facilities. The property management contract also sets forth the payment arrangements of management fees, which cannot be increased without the prior consent of the property owners. Under PRC laws and regulations, the owners or owners’ association of a residential community have the right to change property management companies pursuant to certain procedures. Please see “Risk Factors — Risks Relating to Our Business — Property owners may terminate our engagement as the provider of property management services” for more details.

## **HOTELS**

We are currently developing Yuzhou International Hotel and intend to enter into management agreement with Carlson Asia Pacific Hotel Management Pty. Limited, or Carlson, to operate the hotel under the “Radisson” brand. We intend to hold this hotel for investment purposes.

Carlson is a hotel management company in the Asia Pacific region with more than 100 hotels in operation and under development with close to 20,000 rooms in 11 countries. Headquartered in Singapore, it is supported by reservations, sales and development offices in Tokyo, Shanghai, New Delhi and Sydney. It is part of Carlson Companies, a privately held corporation headquartered in the United States, which was founded in 1938 with operations spanning over 150 countries worldwide. Carlson operates five of the world’s leading hotel brands throughout the Asia Pacific region: Regent Hotels & Resorts, Radisson Hotels & Resorts, Park Plaza Hotels & Resorts, Country Inns & Suites By Carlson and Park Inn. The Regent Beijing and the Radisson Hotel Pudong Century Park, Shanghai were voted by Travel + Leisure magazine, an Independent Third party travel magazine, as one of the top 100 hotels in China in 2008. We believe that by having Carlson operate our hotel, we will be able to benefit from their global reputation, hotel operation experience as well as their integrated marketing

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services and global reservation systems. Pursuant to the hotel operating agreement, Carlson will be responsible for all aspects of managing the daily operation of Yuzhou International Hotel, including formulating operational and pricing plans for the hotel business. We intend to agree to pay Carlson monthly management fees from the hotel’s opening based on a percentage of the revenue of the hotel. We also intend to pay Carlson incentive fees based on a percentage of the hotel’s gross operating profits, if such profits exceed certain thresholds, so that Carlson’s interests are aligned with ours. We intend to have Carlson integrate our hotel into the advertising and promotion campaigns for their affiliated Radisson hotels and to share marketing costs. Carlson is also expected to be responsible for recruiting and training the staff of our hotel.

Once completed, we expect Yuzhou International Hotel to offer luxury hotel services to domestic and overseas travellers. We expect a recurring income stream from the operation of the hotel including income derived from room rent, food and beverage sales and other consumptions. We intend to bear all the operational costs, staff costs and management fees in relation to Yuzhou International Hotel.

We believe that expanding into the hotel sector will increase the breadth and stability of our revenue streams and reduce our risk of over-reliance on any particular property sector. For risks associated with expanding into the hotel sector, please see “Risk Factors — Risks Relating to our Business — We may not be successful in leveraging our past experience in residential property development in expanding into our new hotel and investment property businesses”, “— Our results of operations may be affected by the performance and reputation of, and any adverse developments relating to, the hotel management partner that manages our hotel” and “— Our objectives may conflict from time to time with the objectives of our hotel management partner, which may materially and adversely impact the operations and profitability of our hotel.”

## INVESTMENT PROPERTIES

We develop commercial complexes, office buildings, retail shop units and car park spaces for leasing and/or for capital appreciation. We intend to focus on high-quality properties that are located in central commercial areas of major cities.

We are currently operating The Mall at Yuzhou World Trade Center. Our target tenants are mid-to high-end retail stores, restaurants and supermarkets. In connection with The Mall at Yuzhou World Trade Center, our tenants include PCD Stores, Wal-Mart, Music Kitchen Food Court, KFC, McDonald’s and other companies.

Yuzhou Commercial Investment Management Co., a wholly-owned subsidiary, is responsible for the management of The Mall at Yuzhou World Trade Center. Yuzhou Commercial Investment Management Co. provides detailed market research and establishes management plans. In addition, its management team prudently selects our tenants based on brand name and potential impact to increase marketability. Its management team is also responsible for daily operation of our investment properties, including labor, customer service and event planning issues.

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Our Group has over nine years of experience in managing retail units and car park spaces in our residential properties. We currently plan to develop commercial complexes in connection with our projects Yuzhou Golden Seacoast, Yuzhou International Hotel, Oriental Venice, Yuzhou Jinqiao International and Yuzhou Huaqiao City. We intend to use our Yuzhou World Trade Center management model in developing these retail complexes, which are expected to be managed by Yuzhou Commercial Investment Management Co.

We are currently developing Yuzhou Gangyi Square which we expect to be completed in November 2012. We intend to hold the office properties for investment purposes. We will either engage our own property management company, Yuzhou Commercial Investment Management Co., or a third-party property management company to manage the office properties. The management company will select our tenants and be responsible for daily operation of our office properties. We intend to develop other office properties in the future and intend to use our Yuzhou Gangyi Square management model to develop and manage such office properties.

We believe that expanding into the retail and office property sectors will increase the breadth and stability of our revenue streams and reduce our risk of over-reliance on any particular property sector. For risks associated with expanding into the retail and office property sectors, please see “Risk Factors — Risks Relating to Our Business — We may not be successful in leveraging our past experience in residential property development in expanding into our new hotel and investment property businesses.”

### **PROPERTIES USED BY US**

Our principal executive offices are located at Yuzhou Overseas City, 45 West Hubin Road, Xiamen, Fujian Province, with a GFA of approximately 1,204 sq.m. We plan to relocate our principal executive offices to Yuzhou Gangyi Square upon completion of that project.

### **COMPETITION**

The market for real estate development in China has evolved significantly over the past decade. In addition to Chinese real estate developers, a number of overseas real estate developers are active in China. In April 2004, the PRC Government announced a six month moratorium on land auctions. In June 2004, the PRC Government further issued policies to reduce the number of property projects that involve redevelopment or relocation of existing residents. These policies further increased competition among real estate developers as the amount of land available for property development was reduced. Please see “Risk Factors — Risks Relating to the PRC Real Estate Industry — We face intense competition from other real estate developers”. For details of the policies, please see “Industry and Regulatory Overview — Regulatory Overview” and “Regulatory Overview — Resettlement” in Appendix IV to this document.


Our existing and potential competitors include major domestic State-owned and private developers and foreign real estate developers (including leading developers listed in Hong Kong) who focus on high-quality property development in China. We believe that through our experience in



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developing large-scale, high-quality properties and our in-depth understanding of the Chinese real estate market, we will be able to react more quickly when competing with these property developers to identify and secure desirable opportunities.

## INTELLECTUAL PROPERTY

Our intellectual property forms an integral basis for our strong brand recognition and is important to our Group’s business and profitability. As of the Latest Practicable Date, we had registered four trademarks in the PRC and had registered one trademark in Hong Kong.  is our primary trademark. As of the Latest Practicable Date, we had registered the following domain names: (1) “禹洲.com”, (2) “禹洲.中国”, (3) “禹洲集团.com” and (4) “禹洲集团.中国”.

The information on our websites does not form part of this document.

Under Hong Kong and PRC law, a registered trademark owner has exclusive rights in the registered trademark. Any unauthorized use of a registered trademark (unless such use constitutes “fair use” as defined by law), will constitute infringement of the trademark owner’s exclusive right.

## INSURANCE

We contribute to social insurance for our employees as required by PRC social security regulations, such as a pension contribution plan, medical insurance plan, unemployment insurance plan and work-related injury insurance plan. In line with what we believe to be industry practice, we do not maintain insurance for destruction of, or damage to, our property developments (whether they are under development or have been completed and are pending delivery) other than with respect to those buildings over which our lending banks have security interests, for which we are required to maintain insurance coverage under the relevant loan agreements. We also do not carry insurance covering construction-related personal injuries. In addition, we do not carry insurance for any liability arising from allegedly tortious acts committed on our work sites. The construction companies are responsible for quality and safety control during the course of the construction and are required to maintain accident insurance for their construction workers pursuant to PRC laws and regulations. Moreover, there are certain losses for which insurance is not available on commercially practicable terms, such as those suffered due to earthquake, typhoon, flooding, war and civil disorder. Business interruption insurance is also currently unavailable in China.

To help ensure construction quality and safety, we provide a set of standards and specifications in the construction contracts for the construction workers to comply with during the construction process. We also engage qualified supervisory companies to oversee the construction process. Under PRC law, construction companies bear the primary civil liability for personal injuries, accidents and death arising out of their construction work where such personal injuries, accidents and deaths are caused by the construction companies. The owner of the property under construction may also bear liability supplementary to the liability of the construction company if the latter is not able to fully compensate the injured. The owner of the property may also bear civil liability for personal injuries,

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accidents and death if such personal injuries, accidents or death are due to the fault of such owner. To date, we have not experienced any destruction of or damage to our property developments nor have any personal injury-related claims been brought against us and nor material personal injury incident has occurred at our project sites.

However, there are risks that we do not have sufficient insurance coverage for losses, damage and liabilities that may arise in our business operations. Please see “Risk Factors — Risks Relating to Our Businesses — We may suffer losses arising from uninsured risks for more details.”

## ENVIRONMENTAL MATTERS

We are subject to PRC environmental laws and regulations as well as environmental regulations promulgated by local governments. The laws and regulations governing the environmental requirements for real estate developments in the PRC include the Environmental Protection Law (《中華人民共和國環境保護法》), the Prevention and Control of Noise Pollution Law (《中華人民共和國環境噪聲污染防治法》), the Environmental Impact Assessment (《中華人民共和國環境影響評價法》) and the Administrative Regulations on Environmental Protection for Development Projects (《建設項目環境保護管理條例》). As required by PRC laws and regulations, each project developed by a property developer is required to undergo an environmental assessment, and an environmental impact assessment report is required to be submitted to the relevant government authorities for approval before commencement of construction. When there is a material change in respect of the construction site, scale or nature of a given project, a new environmental impact assessment report must be submitted for approval. During the course of construction, the property developer and the construction companies must take measures to prevent air pollution, noise emissions and water and waste discharge. Environmental investigations on our projects conducted to date have not revealed any environmental liabilities that we believe would have a material adverse effect on our business, financial condition or results of operations. Please see “Risk Factors — Potential liability for environmental problems could result in substantial costs” for more details.

In addition, PRC environmental laws and regulations provide that if a construction project includes environmental facilities (including engineering projects, devices, monitors and other facilities that were constructed or equipped in order to prevent pollution and protect the environment), such facilities will have to pass an inspection by the environmental authorities and an approval must be obtained before the environmental facilities can commence operations. If a construction project does not include any environmental facilities, no such approval is required. Our business is of such a nature that we are not required to construct environmental facilities and, therefore no approval in respect of environmental facilities from the environmental authorities is necessary.

According to the approvals and confirmation letters issued by the relevant environmental protection authorities, our PRC legal advisor is of the view that our Group has been in compliance with applicable PRC environmental laws and regulations in all material respects during the three years ended December 31, 2008 and the six months ended June 30, 2009. We did not experience any material environmental pollution incidents and there were no penalties imposed on us for violation of environmental laws and regulations during the same period. We obtained all environmental permits and approvals as required by relevant authorities for our property developments.

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We intend to continue to comply with PRC environmental laws and regulations and further strengthen our management and supervision systems in respect of environmental protection. A team of officers experienced in pre-construction work of property development and environment matters in our Initial Development Department and Construction Management Department manage and examine the procedures and activities that may give rise to environmental issues such as noise, water and air pollution and collaborate with third-party construction contractors in order to ensure environmental compliance.

## LEGAL PROCEEDINGS

From time to time we are involved in legal proceedings or disputes in the ordinary course of business including claims relating to our guarantees for mortgage loans provided to our purchasers and contract disputes with our purchasers and suppliers. Please see “Risk Factors — Risks Relating to Our Business — we provide guarantees over mortgage loans given by banks to purchasers of our properties which may materially and adversely affect our results of operations and financial condition if we are required to honor the guarantees.” We are not aware of any material legal proceedings, claims or disputes currently existing or pending against us. The Directors are of the view that there were no material legal proceedings or disputes which are of material importance or would adversely affect our Group during the three years ended December 31, 2008 and the six months ended June 30, 2009. Please also see “Risk Factors — Risks Relating to Our Business — We may become involved, from time to time, in legal and other proceedings arising out of our operations and may face significant liabilities as a result” for more details.

## COMPLIANCE

During the three years ended December 31, 2008 and the six months ended June 30, 2009, we and our PRC subsidiaries were in possession of all of the relevant approvals and qualification certificates required under PRC laws and regulations in order to conduct our businesses. Several of our PRC subsidiaries are in the process of renewing their respective qualification certificates.

Our PRC legal advisor has advised us that, to the best of their knowledge after due inquiries, our Group had been in compliance with the applicable PRC laws and regulations as described in the relevant sections in this document in all material respects during the three years ended December 31, 2008 and the six months ended June 30, 2009, except the following:

- Prior to our acquisition of Guifeng Co. in February 2007, Guifeng Co. experienced late delivery of individual property ownership certificates. Please see “Risk Factors — Risks Related to the PRC Real Estate Industry — We may be liable to our customers for damages if we do not deliver individual property ownership certificates in a timely manner” for more details.
- We failed to commence construction for more than one year from the commencement date stipulated in the land grant contract for Phases I and II of Yuzhou Huaqiao City and Phase III of Oriental Venice. In addition, we have not commenced the construction of Phase IV of Yuzhou Jinqiao International due to uncertainty over the designated land use purpose. Please see “Risk Factors — Risks Related to the PRC Real Estate Industry — We may be required to forfeit land to the PRC Government if we fail to comply with the terms of our land grant contracts” for more details.

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We have established a comprehensive internal control system and corporate governance structure. Our management team is responsible for determining internal control strategies and policies, approving internal control procedures for various business activities and assessing the overall integrity and effectiveness of our internal control system. Our Legal Department is responsible for implementing internal control strategies and policies adopted by the management team and for establishing internal control reporting structures. The management teams at our subsidiaries are responsible for implementing internal control policies and procedures in their respective scope of business, conducting internal control examinations and reporting to our management team and Legal Department. Our Initial Development Department is generally responsible for and monitors compliance with the commencement dates stipulated in our land grant contracts. In September 2008, we commenced the development of an Enterprise Resource Plan, or ERP, system which will establish Internet-based progress monitoring for our projects and will be supervised by members of our management team. The ERP system is expected to be completed in January 2010. We believe that the ERP system, upon completion, will further strengthen our internal control system and corporate governance structure.